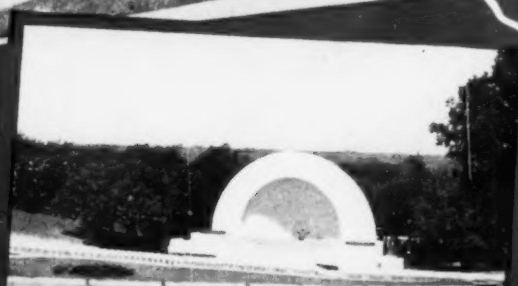
Sioux City, IOWA

the KEY CITY
with the BIG WELCOME

Woodbury County Courthouse—pace-setter of modern architecture.

Municipal Auditorium—completed in 1950, seats 5.000.

Home of historic Sgt. Floyd Monument, Lewis & Clark Expedition, 1804.



Famous Bandshell in Grandview Park [illegible] pattern for this type of structure throughout [illegible]ation.

the CREDIT WORLD

ONLY PUBLICATION SERVING THE ENTIRE FIELD OF RETAIL CREDIT

MARCH, 1956

The CREDIT WORLD

REGISTERED IN THE UNITED STATES PATENT OFFICE

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Evolution of Home Ownership

W. L. Sloan
***President,* First Federal Savings and Loan Association**
Sioux City, Iowa

OUR COUNTRY'S greatest bulwark against the spreading influence of communism and other "isms" is our ever increasing percentage of home ownership. Almost an equal safeguard is our desire for financial independence as evidenced by the tremendous growth in individual savings, and our sound use of credit.

Never before in history has credit assumed as important a role in our daily lives as it has today. Its wise use has made it possible for America's families to budget their incomes and enjoy the items they desire while still paying for them in convenient installments, and credit is by no means the refuge of those who are perpetually short of cash. Men and women in comfortable circumstances depend on credit extension, if only for the reason that it enables them to build up a sound credit record, which at some time may be extremely helpful to them.

Credit Buying is Respectable and Respected

Buying on time has become respectable and respected, and it should be considered as such. The proper use of credit has been of incalculable benefit to the nation; it has broadened the market for our industrial output, and has materially advanced the standard of living of our citizens.

But perhaps nowhere else has the intelligent use of credit done so much to increase the comfort and happiness and security of so many as in the field of home financing. The changes which have occurred in methods of financing home purchases have been revolutionary. Gone are the days when assistance in home mortgage financing had to be wheedled out of an individual; gone, too, are the days when home ownership had to be postponed until middle age or old age.

Like other matters involving credit, the presence of a mortgage on the home in days not too far gone was something to be kept hidden from friends and neighbors, for its existence would surely entail gossip and loss of social standing. A mortgage and a drinking uncle were choice bits for conjecture. Nowadays, buying a home with a mortgage is accepted practice, regarded as sensible, practical, and the wise thing to do; consequently a new prestige attaches to it.

When I speak of the "old days," I refer to that period of time before specialized mortgage institutions . . . of which the savings and loan association is the most prominent . . . achieved sufficient financial strength to be able to satisfy the home-ownership needs of many millions of families. In those "old days," which were not half as good as they are sometimes sentimentally believed to have been, the number of home owners in our country was a decided minority. Home ownership, if it was attained at all, was attained late in life, and most newly married couples never contemplated it. Home ownership, in short, was a rarity then. Today, it is commonplace. Right now, according to figures of the United Savings and Loan League, national trade organization of our business, some 57 per cent of our nation's families either own or are in process of purchasing their homes.

This remarkable achievement is not something that "just happened." It evolved, slowly at first, and then with amazing rapidity in the past 25 years. This great accomplishment of our age, the extension of home ownership to a majority of our families, is the direct outcome of an evolutionary process which saw the old cumbersome, burdensome home mortgage refined by successive steps until it became the flexible instrument that it is today, enabling even newlyweds to undertake home ownership and the rearing of a family at the same time.

This story, in some respects, is inseparable from the history of the development of the savings and loan business, which this year celebrates its 125th anniversary. The nation's 6,000 savings and loan associations got their start in a suburb of Philadelphia in the year 1831. At that time, the industrialization of our country was barely getting under way, and the first of the cities were beginning to sprout up. There arose a need for a specialized financial institution which would make funds available for the purchase of homes. Existing finance companies at that time were interested only in meeting industrial and commercial needs; they had neither the inclination nor the facilities to engage in home mortgage financing. It was in response to this budding need for money for homes that savings and loan business was established in this country.

History of First Savings Association

The first savings associations were rather tightly knit little organizations and basic in their operations. Members of the association saved systematically at the rate of 50 cents or a dollar a week, until enough funds had been accumulated for one of the members to purchase a home. Then the members bid for the privilege of acquiring this money, and the high bidder got the funds and bought his home. This procedure was followed until each member had bought his home, then the institution was liquidated.

Their system naturally tended to keep home ownership a somewhat exclusive undertaking. There was, on the one hand, a pressing need for mortgage funds in greater quantities. On the other hand, there were many people who already owned homes and who had surplus funds for investment. There was no reason why they could not have savings accounts with these institutions without becoming borrowers themselves. So the old associations, whose savers all became borrowers, gradually gave way to the system upon which the modern

savings associations operate. These changes in membership arrangements brought increased investment funds into the associations and made it possible for them to aid many more families in acquiring homes.

What about the families in the "old days" who were not served by a savings association? Those families bought their homes on the old straight loan plan, where the borrower got his home purchase funds for a period of three or maybe five years. Usually annual payments of interest were made, but the loan itself was never reduced until its due date. Families had extreme difficulty in paying the principal amount at the end of the three- or five-year period and only too often did the due date fall at a time of scarcity of mortgage funds.

Consequently, financial institutions would loan only small amounts of money. As a rule this amount was considerably less than the total cost of the house, and even with his own down-payment funds, the borrower still needed more cash. On a $5,000 home, for example, about the most a borrower could get on a direct loan would be $2,500. Even if he had $1,000 of his own for a down payment, he still had to borrow an additional $1,500. Acquiring that extra sum was generally done through a second mortgage, which because of the risk involved commanded higher rates of interest or even bonuses. The burden here is obvious; the cost of home ownership became so high that to most people it was prohibitive. If at the end of the loan period a borrower could not retire his obligation, he would have to refinance it. During periods of severe economic stress, the institution frequently could not refinance the obligation and foreclosure became necessary.

Today's modern mortgage, on the other hand, has practically eliminated foreclosure and the heartache that accompanies it. The ratio of foreclosure to new home mortgages has been running less than one per cent during the postwar period as against over 3½ per cent in 1941. In 1954 there were only 26,000 foreclosures out of over 3,450,000 mortgages recorded, in 1941 over 58,500 foreclosures, and in the depression year of 1933 over 250,000 foreclosures.

What few foreclosures there are now are primarily due to divorce and deaths in the family, rather than economic distress. This improved situation has come about through development of the direct-reduction amortized loan, a development pioneered by the savings and loan business.

Monthly Payment Loan Plans

It is significant that far back in the nineteenth century, our savings associations were using monthly repayment loan plans . . . plans that were tied to some form of family budgeting. True, the earliest such plans were crude ones, but as the decades rolled by and experience got in some good lessons, step-by-step improvements were made.

Those various steps are interesting to recall. Loans where periodic payments on principal and interest are made are referred to as amortized loans. Students of Latin know *amortize* means literally to "kill off"—in other words, the periodic elimination of the mortgage debt.

The first amortized plan used in our business was the "share accumulation" plan. Under this plan, the borrower occupied a dual capacity: on the one hand, he entered into a mortgage agreement for a long period of time; on the other, he became a compulsory saver or shareholder of the association. Each month he made a payment into a savings account. When he had accumulated funds in his savings account which with dividend payments equaled his mortgage balance, the mortgage loan was canceled, and he owned his home outright. This was a decided improvement over the straight loan since the loan never became due and payable in one installment. The borrowing family was, in fact, setting a specific sum aside each month for home ownership. The fact that these savings accounts received dividends hastened the day, of course, when the home was completely paid for.

This plan had a major disadvantage, however. This was that the interest payments on the loan did not decrease throughout its life. To some extent this drawback was offset by the fact that the savings account received dividends periodically, but still a simpler and more wieldy plan was required if more families were to become home owners.

Plan of Mortgage Financing

The next step, therefore, became the "cancel and endorse" plan of mortgage financing. This plan was similar to its predecessor, the "share accumulation" plan, in that the borrower was required to make periodic additions to a savings account. But it differed in this respect—that whenever a specific sum (usually $100) had been saved, it was immediately applied to the loan itself. Naturally, this automatically reduced the loan and also the amount of interest charged.

This plan was successful for its time, but it, too, lacked simplicity. Savings association managers were aware of this shortcoming. Many people found the plan hard to understand and, being unable to understand it, they were afraid of it. What was needed was a system whereby the loan payment would be applied directly to the loan itself, doing away with the requirement that a savings account be maintained along with the loan.

A new plan was soon developed to meet this need. That plan was the "direct reduction loan," the most popular method of mortgage financing today. It is the finest refinement in amortized mortgage financing. Unlike the straight loan, the entire balance of the loan never becomes due and payable at one time (unless, of course, the borrower defaults on his payments), and interest charges are retired on a monthly basis. Month by month the borrower increases his equity in his home, while the amount he actually pays in interest charges is proportionally decreased. The borrower pays less in interest under the "direct reduction loan" plan than under any other type of loan plan.

Perhaps more than any other single development, the direct reduction amortized loan has been responsible for putting home ownership within the reach of many millions of our people. The system of monthly repayments has made it possible to increase the loan term, thereby decreasing the monthly cost of home ownership. This is a far cry from the not-so-good "old days."

Aside from the direct reduction loan, other factors in the home financing have been streamlined and modernized to contribute to this great achievement of our age,

the extension of home ownership to millions of people.

Among such streamlined factors are:

1. The institution of scientific techniques in the appraisal of residential properties. It is the appraiser's job to find out if the property constitutes proper security for the money loaned. The appraiser of today—through careful study of building specifications, obsolescence factors, neighborhood developments, city economic bases, property location, functional usability, and so forth—can with a great deal of accuracy estimate pretty carefully the amount of money which should be advanced on a specific piece of property. In the "old days," the amount of money loaned was for the most part based on guesswork by the appraiser as to the actual value of the property—and the guesses were usually conservative. For example, the typical building and loan mortgage of the late 20's and early 30's was for a period of 11 years, 7 months.

With today's improved appraisal techniques, the loan period has been extended far beyond that, up to 25 years in the case of the conventional loan, and up to 30 years in the case of the FHA and VA loans. Sound appraising techniques have also enabled our associations to grant bigger loans, with the result that borrowers with smaller down payments can begin buying their homes sooner.

2. The inception of the system whereby the lending institution collects from the borrower, along with his monthly payments on principal and interest, enough extra to pay all real estate taxes and insurance payments on his home. This has lifted what used to be a heavy burden from the shoulders of the home owner. The funds for taxes and insurance are budgeted monthly and, when the bills come due, the institution pays them promptly. Hence they never become a threat to the financial solvency of the home owner.

3. The "open-end" mortgage thus permits the borrower to get additional advances for property improvement and other purposes as well, up to the original amount loaned and at the same interest rate. Before this plan came into use, if the borrower needed additional funds for a new furnace or a new roof, he had to cancel out the mortgage and have it rewritten to get additional cash. Frequently this was very expensive, for it involved further title searches, attorney fees, and other charges. Today's open-end mortgage, besides making the obtaining of additional funds very convenient, also makes such borrowings much less costly.

4. The "prepayment privilege," which most savings associations have and which permits the borrower, provided he uses his own funds, to pay ahead of his loan or retire it completely without payment of a penalty, is an improvement of major importance. For instance, if a family finds itself with $15 or $25 left over after all monthly expenses have been taken care of, it can put this money toward payment of its home loan, thus lowering the interest cost of the loan, and bringing nearer the day when the house will be debt-free. Many other institutions not specializing in home loans often require that any prepayments be in multiples of the monthly payment and usually limit the amount which can be repaid during a specific period. They impose a penalty if the mortgage is paid off before the terms stipulate it should be.

Another advantage of the prepayment privilege is that our institutions permit the borrower, when he is paid ahead, to skip monthly payments for specified periods in event of illness, financial adversity, or similar troubles.

5. The "package" mortgage which allows the borrower to include in his home mortgage the cost of his major appliances. This enables him to spread these heavy costs over the life of the mortgage, eliminating the necessity of keeping his "nose to the grindstone" in order to pay for them immediately or in a short period of time at a higher interest charge.

6. The property improvement loan. This permits the home owner to obtain funds for repairing, modernizing, or expanding his home. These loans typically are for a maximum term of three to five years.

7. Lower interest rate. Modern mortgage financing has not only made it possible for more families to buy homes, but it has also resulted in a lower cost for financing those homes.

Twenty to 25 years ago, for example, the cost of money borrowed to buy or build a home ranged from 7 to 14 per cent. Today, the range is typically from 4½ to 5½ per cent. This represents real, tangible progress in home financing.

There is another major facet of our business, without which our home financing activity would be impossible. This is the savings side of our business. The direct-reduction amortized loan is in one sense an outgrowth of our activity in promoting thrift. Our institutions have never disdained small savings; we have, in fact, urged people to bring us not only their dollars, but quarters, dimes and nickels as well. These savers have discovered that building a savings account is not so formidable a task as they may have at first supposed. Within short periods, they have seen their balances mount into hundreds of dollars.

We have used this same approach in home financing. We have advised people to pay back a little each month on their mortgage obligation, and the result has been similar to that on the thrift side. Home buyers have found that, within a relatively short period, they are well on their way to complete ownership, and the project has involved neither great sacrifice nor financial worry.

Increased savings in our institutions has meant increased funds to loan for home purchases, and today, almost 40 per cent of all homes purchased with a mortgage in the United States are financed through the 6,000 mutual savings and loan associations. That the American people highly respect the modern mortgage loan developed by savings and loan associations is indicated

NOTICE

Portfolios of helpful material for *National Retail Credit Week* are now ready for mailing to chairmen of local committees. Plans for this significant event, which will occur Sunday, April 22, through Saturday, April 28, 1956, should be completed now. Portfolios include a copy of N.R.C.A.'s newest "Pay Promptly" newspaper advertising, radio spot announcements, talks before student groups, service and civic clubs and other material. Write to the National Office today.

C.W.B.C. and N.R.C.A.—One Team

Eleanor Grieme

***Reporting Supervisor,* Credit Bureau of Sioux City**

***Vice President,* District Six, Credit Women's Breakfast Clubs of North America**

THE CREDIT Women's Breakfast Clubs of North America are composed of women who are dedicated to their profession. They cooperate universally for the welfare of credit, which is one of the precepts of their creed. The Credit Women's Breakfast Club of Sioux City is a link in this chain of clubs which forms an international organization.

William C. Slotsky, manager of the Credit Bureau of Sioux City, who is well known in the field of credit, sponsored the organization of the Credit Women's Breakfast Club in Sioux City. Because he early saw the advantages of such an organization, Sioux City has had such a club for many years. It has been our good fortune that he has promoted our growth and improvement these many years.

Our Credit Women's Breakfast Club functions with, and cooperates wholeheartedly with, the Sioux City Retail Credit Association. Both organizations have worked together many times. Jointly, they have sponsored credit education, by means of advertising on the radio, television, and in newspapers. The Credit Women's Breakfast Club has also participated in joint meetings, for the purpose of promoting credit education and good public relations.

Our C.W.B.C. also furthers its education, through its study of our International Manual. This is a course of study which consists of lessons and articles, which have been contributed by men prominent in the field of credit.

As credit women, we uphold the principles and purposes which are regarded as the basis of sound credit. We consider it our duty to keep abreast of the trend of the times. We endeavor to maintain a close relationship between our credit departments and the credit bureau. Periodically we are invited to visit the credit bureau. This visit is always an educational revelation, and looked forward to with a great deal of interest.

When Sioux City has been the host city for district conferences, the Credit Women's Breakfast Club and the Sioux City retail credit organization have worked together in close harmony. Their united efforts produced smooth functioning and profitable conferences.

Our Sioux City Credit Women's Breakfast Club members attend district and international conferences. Here they participate in the joint meetings and special sessions which discuss various types of credit. The knowledge gained helps them to become more efficient and of greater value to the firms which they serve.

The Sioux City Credit Women's Breakfast Club and the Sioux City Retail Credit Association move forward jointly in the endeavor of credit. The principles of our International Creed are carried out in a coordinated effort, for the promotion of good credit. ***

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by the rapid progress and growth of our business.

Since the Oxford Provident Building and Loan Society was founded 125 years ago, the savings and loan business has grown into a $37 billion business. In the last ten years alone, we have quadrupled our assets. By 1965, we expect our assets to total between $70 and $75 billion, almost double what they are today.

In making nearly 40 per cent of America's home loans each year, we are the nation's number one mortgage lenders. Last year, we made approximately $11.8 billion in home mortgage loans, thus achieving our biggest lending year in history. In 1956, we expect to surpass even this record figure, making in excess of $12 billion in home loans, and possibly more. Our present mortgage portfolio amounts to about $31.4 billion.

Many of the people who come to us for home loans are also our savers. Most acquire their down payments for homes through savings programs inaugurated at our institutions. Last year, for instance, we performed savings services for approximately 18.3 million persons, the highest total in our history. Savings held by our institutions increased by roughly $5 billion, bringing total savings to $32.4 billion.

Here is the way the savings dollars are made to work in this type home financing agency. Fred and Helen Jones, a typical couple, are buying an average home. They have saved up a substantial amount and they are in the market for a home. If they wait until they save the full purchase price, they will be well on in years, and they want that home right now for their growing family, so they go to a savings and loan association and apply for a home loan. Credit is checked and soon the Joneses are in their new home paying back the loan with rent like monthly payments. The Joneses have a *good* home in the early years of their married life, the savings association has a *good* investment, the individual saver has done a *good* deed and gets a *good* return, and the community gets another stronghold of *good* citizenship.

During 1955 over 1,000,000 families like the Joneses started on their way to debt-free home ownership through the plan of low monthly payment, thus making it possible for this country to enjoy unprecedented prosperity through the sale of the thousands of items needed in home construction, but above all, creating a nation of homes . . . maintaining and forever raising our standard of living which in itself is our greatest protection against foreign "isms." ***

Dividends From Satisfied Customers And Good Employee Relationships

E. C. Thompson
***Vice President,* Security National Bank**
Sioux City, Iowa

THE GOLDEN RULE seems an overly simple theme for the conduct of business. We ordinarily think of it in terms of our conduct with one other person. Complexities arise, however, when we consider its application to the hundreds and even thousands we deal with indirectly daily. Two relationships—*to our customers* and *to our fellow employees*—are most important to success in any phase of business.

We all have customer relations—good, bad, or indifferent. The mere fact that we want good customer relations does not make it possible unless we have the wholehearted support of every member of our staff. Our customer relationship starts when our customer talks to the telephone operator, the receptionist, or possibly to the attendant on the parking lot. Even the way he is asked to be seated while he waits to visit with the credit manager is important; the manner in which he is greeted when he makes a payment on his account or the wording of the past-due notice which he receives while on vacation or in the hospital. Perhaps you have thought of many customer relationships which have been omitted, for there are many more.

Courtesies Necessary for Staff Harmony

There is the second relationship to consider—to our fellow employees, whether they be of equal, superior, or subordinate status. The same friendliness and fairness apply to the messenger boy as to the executive in charge. Showing interest in how the bookkeeper's new Chevrolet is operating is just as important as asking the senior officer about his new granddaughter. Exchanging adding machines between two clerks, even if the reason is justified, may require more diplomacy than a Big Four meeting. The simplest courtesies on our part may be the notes for staff harmony so necessary in order to have friendly customer relations.

Banks, many years ago, were outstanding in their poor public relations. So many jokes have been told about cold-eyed, unemotional, unfriendly bankers that it is nearly impossible to relate a new one. The last fifteen years have brought improvements in bank friendliness. First of all, banking office appearance has changed. Tellers are no longer cooped up inside metal wire cages. Bars from outside windows, which give impressions of distrust, are disappearing. Parking lot privileges, drive-up tellers' windows, no-minimum-balance checking accounts, Christmas and vacation savings accounts, bank-by-mail services, to mention a few, are not services designed to serve large commercial depositors. They encourage Mr. John Q. Citizen to use banking facilities. Our 14 thousand banks of today boast of some 90 million accounts. In no other country of the world do we find the scope and breadth of banking services found in the United States.

No small contribution to humanizing banks and encouraging the business of the little man has been made by the installment lending or personal loan facilities of banks, placing more emphasis on character and integrity of the individual, and from the philosophy of trying to find a reason to make the loan developed the next step of actually advertising for worthy borrowers. Salesmanship was found to be an equally important tool in a business which had nothing to sell except service, as it is on the floor of a retail store. More and more bankers are becoming salesmen in their communities.

No amount of advertising, however, can outweigh the value of satisfied customers and those who will recommend us to their friends. We as credit men must make the relationship with our customer pleasant so that he will feel that he has dealt with a friend. The things we cannot accomplish with friendliness and understanding are, by and large, not worth having. The personal interest we show in supplying our services will distinguish our place of business from the one across the street.

A smile is the type of language anybody can understand. An air of genuine friendliness can brand our institution as "the one people enjoy dealing with" and it will bring its greatest dividends to *us*. We will find the people with whom we associate, customers or members of our staff, will always be quick to appraise the results of our efforts. The measure of success we achieve will in a large part depend on our friendliness in credit. ***

W. C. Slotsky Honored

WILLIAM C. SLOTSKY was honored at a testimonial dinner recently at the Steakhouse, Sioux City, Iowa, marking the dissolution of the Associated Retailers, for which organization he has been a director since 1918 and Secretary since 1919. Carrol N. Smith presided at the dinner and made the presentation to Mr. Slotsky of a color television set, in behalf of the former stockholders of the organization, who attended the dinner and many of whom spoke briefly in tribute to the honoree.

Mr. Slotsky, who has given outstanding service to Sioux City's business, civic and cultural affairs for 42 years, also was presented with the original drawing of *The Journal* cartoon by Eldon Pletcher, which appears on this page below. Willis Forbes, managing editor of *The Journal*, made the presentation.

Among the many honors conferred on Mr. Slotsky during his residence in Sioux City have been the presidency of the board of directors of the Sioux City Art Center and the Jewish Federation of Social Service. He also was Vice President of the Iowa Associated Retailers. At one time or another, he has been a member of the board of directors of the Sioux City Symphony Orchestra Association; a National Director of the American Retail Association Executives Association; a member of the executive committee of the Sioux City Music Association; President of the Ninth District of the Associated Credit Bureaus of America; and Vice President of Mount Sinai Congregation.

He also has been active in the Chamber of Commerce Community Fund, United Fund, Red Cross, Y.M.C.A., B'nai B'rith, Masonic organizations, Kiwanis Club and Sioux City Club.

His Many Business Connections

Mr. Slotsky became Secretary-Manager of the Credit Reference Company of Sioux City, September 10, 1913. In March, 1918, he sold the Credit Reference Company to the Associated Retailers and remained as manager. In September of that year he was elected to the board of directors of the latter organization, succeeding R. P. Ross, who retired. He was elected Secretary of the Associated Retailers and Manager of the Credit Reference Company—which has since been changed to the Credit Bureau of Sioux City—in August, 1919; and he served as Secretary of the Associated Retailers from that time until its dissolution in 1955. Ownership of the Credit Bureau again reverted to Mr. Slotsky in December, 1948.

Mr. Slotsky was born April 15, 1890, at Kiev, Russia, where his parents had returned after living in Sioux City for several years. He came to the United States in 1907 and lived for a short time in New York before rejoining his parents, who meanwhile had returned to Sioux City. He became a naturalized citizen in 1913. Mr. Slotsky attended a business college and Morningside College, and has published the *Commercial Reporter* since 1927. Mr. Slotsky's son, Lawrence, is associated with him in the operation of the Credit Bureau, and is at present President of the Sioux City Retail Credit Association.

The Slotskys make their home at 712 34th Street, Sioux City, Iowa.

New Budget Planning Law

The General Assembly of the State of Pennsylvania has passed and signed into law the following: "An act amending the act of June 24, 1939, P L 872 entitled 'An act to consolidate, amend and revise the penal laws of the Commonwealth' prohibiting budget planning business and prescribing penalties for violation thereof. The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows: Section 1, The act of June 24, 1939, P L 872 known as "The Penal Code" is amended by adding section 896 a new section to read: Section 897 Budget Planning Business (a) 'Budget Planning' as used in this section means the making of a contract expressed or implied with a particular debtor whereby the debtor agrees to pay a certain amount of money periodically to the person engaged in the budget planning business who shall distribute the same among certain specified creditors in accordance with a plan agreed upon; (b) Whoever engages in the business of budget planning is guilty of a misdemeanor and upon conviction thereof shall be sentenced to pay a fine of not more than five hundred dollars ($500) or undergo imprisonment of not more than one (1) year or both. The provisions of this act shall not apply to persons duly qualified and admitted to the practice of law in the Commonwealth."

This Bill was known as Senate Bill No. 643, session of 1955 of the General Assembly of Pennsylvania. It was introduced by Messrs. Mahany, Pechan, Disilvestro, Yosko and Dent, July 19, 1955, and referred to the Committee on Banking, July 19, 1955. It was sent to the National Office by James D. Hays, Credit Bureau of Greater Harrisburg, Harrisburg, Pennsylvania.

"Bill, You're Done a Great Job!"

Collect–Don't Shut Off the Meter

Raymond S. Bentson

***Credit Manager*, Iowa Public Service Company**

Sioux City, Iowa

THE UTILITY industry has grown with leaps and bounds the last ten years. Every employee, from the top executive of the organization to the junior clerk, must constantly be on the alert to be able to adjust himself to the ever changing demands required today and to give the very best of service to that all-important person called "our customer."

Our production departments and our service departments are on the job 24 hours of every day. Our engineering department, accounting department, sales department and all others are devoting all of their time and energy to one purpose, "to give our customer good service."

Our credit department is no exception. The prime purpose of our utility credit departments is to make it as convenient as possible for Mr. Customer to do business with us, to see to it that he is a satisfied customer and that all the services we have to offer are made available to him. We must keep accurate credit records, so that if the time comes when he needs our assistance, we can wisely and cheerfully grant further credit extensions to him and continue to serve him through sickness, unemployment, or any other misfortune. Service is the only thing we have to sell and we must be a definite part of that service and continually strive to make every sale profitable.

Our business is quite different from most others. It is not like selling a suit of clothes or a washing machine. The service we sell is unseen by human eyes. It enters a customer's home or business establishment through underground pipes, conduits, or through overhead cables, and seldom does a customer realize that he is making a purchase from our company almost every hour of every day.

Automatic equipment, such as refrigerators, freezers, air conditioners, gas-fired heating plants and many other appliances, play an important part in the sales program in our present-day utility business. Automatic gas heating equipment is probably the best example of selling our service around the clock. Just a few short years ago, most of us can remember that our first act on any winter morning was to jump out of bed, run to the basement and shake the grates of the iron monster standing there. Then we would fill its hungry mouth with coal, turn on the draft and wait for the heat to start flowing through the chilly house. In those days, we could almost determine the outside weather conditions by the amount of fuel we had to shovel into the furnace and by how uncomfortable those icy floors were when we first jumped out of bed. Today, we slip out of bed in the morning, place our feet on a nice warm floor, and find our entire home is the exact temperature we desire, regardless of what the outside temperatures might be.

Appliances a Part of Our Daily Living

The above example applies to all other appliances in our homes, offices, or plants whether they be automatically controlled or manually operated. These appliances have become so much a part of our everyday living that we are usually thrown into a mild state of confusion if only one of our modern-day conveniences fails to operate. In other words, most of us seldom realize how much service we are actually purchasing each day until we receive the statement from our Utility Company at the end of our thirty-day period.

The utility bill we received five, ten, or fifteen years ago, did not, in most cases, include such service as gas heating, clothes drying, air conditioning, freezers, television and many other appliances used today, so naturally the utility account has become a more important factor in our customer's budget.

Along with the tremendous growth of the sales of utility service comes another tremendous growth and that is the problem of the Credit and Collection Department which brings me up to my personal theme song, "Collect—don't shut off the meter." In my many years as credit manager of our company, I have been introduced to hundreds of new acquaintances and usually these introductions are not complete until the new friend or friends are informed that I am the credit manager for the Utility Company. Nine times out of ten the new friend will develop a look of surprise on his face as if to say (and some of them actually do say), "What a snap you must have. If we don't pay our bill, all you have to do is shut off our meters." It is quite disturbing

A Thumbnail Sketch of Sioux City

P. W. Wildreson, Sr.
***President,* Sioux City Chamber of Commerce**
Sioux City, Iowa

SIOUX CITY is a city surrounded by much of the richest farmland in the United States and buzzing with commercial activity within. It is the city to watch for continued growth in the future. A city of 90,000 inhabitants, it serves a trade territory of over 600,000 people, according to figures by SALES MANAGEMENT. Livestock receipts at the large Sioux City stockyards surpass every other stockyards center in the world but three. Steel fabrications, tools, and electrical products are manufactured in abundance in Sioux City which is also rated highly in the nation as a wholesale center. The availability of attractive industrial and commercial sites, improved highways and rail facilities, soon-to-be-realized river navigation to many important ports, and the service of two airlines mark this a city for rapid future growth.

Sioux Cityans occupy their leisure hours with greater than usual cultural and recreational facilities. A new, modern auditorium in which famous artists, stage plays, and events of all types have appeared; a hundred-piece symphony orchestra which has achieved an enviable national reputation; a modern art center displaying exhibits of many of the finest works of American and foreign artists; and a complete public library system make Sioux City the cultural and entertainment center of a three-state area.

A city which last year celebrated its one hundredth anniversary, Sioux City has placed its fine and plentiful history behind it and looks eagerly to the future.

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in many ways and yet somewhat humorous to find that so many people do not realize that they are credit customers of their utility company.

In fact, it is one of the very few industries in our country that serve every type of individual in the community as its credit customer. We serve everyone from the largest industrial plant in the area to the smallest one-room shack on the other side of the tracks. We serve the big and the small, the rich and the poor, the good and the bad, and every one of these is our credit customer.

It is true, there was a time when the chief tools of a utility collection department were composed of a pipe wrench and a pair of wire cutters. In those days Mr. Average Residential Customer probably had a total of three or four fifty-watt bulbs throughout the house and a gas stove in the kitchen.

If the head of the house came home from work on a Tuesday evening to find that his meters had been shut off he would no doubt fill and clean the old oil lamp and say, "Well, when I get paid next Saturday, I'll go down and pay our bill and get this stuff turned back on again."

What a contrast from today! If a situation like that takes place today, it is quite a different story. No hot water for bathing or washing. What about those supplies in the refrigerator and the deep freeze; will they keep till Saturday? How about the automatic heating plant? We would certainly miss our favorite programs on television and radio; and just think, not even a clock would be running in the house. Our credit departments certainly make every effort to protect their customers from any hardship or embarrassment such as this.

Thanks to our affiliation with the National Retail Credit Association and the opportunities of having all of the nationwide credit information at our very finger tips; thanks for the interest and activity of our local associations, and the friendliness and close harmony of our credit bureaus—with these aids, we have been able to keep our utility credit departments up to date in our modern-day credit sales era.

Many years ago, we replaced the old-fashioned pipe wrench and the wire cutters with tools far more effective: tools such as our well-kept history record of every customer showing his good qualities as well as his bad, his paying habits and all other information pertaining to credit. Tools such as a well-trained credit office personnel who understand the problems of our customers and who desire to be of service to others and still remain loyal to the company they work for. Tools such as our system of accurately screening our thousands of customers so that all our efforts can be devoted entirely to the customers needing our help and advice while the customer who is seldom past-due will never be embarrassed by a telephone call, reminder notice, or field representative.

Utility credit departments must have available and be able to use all the modern methods used by retail and wholesale credit departments of all other types of business, from taking the original application of a new customer to closing out the account successfully when an individual leaves the city or closes the doors of his business establishment.

In conclusion, I must admit that there are some customers who do not understand any language other than the pipe wrench or the wire cutter, but I will also admit that I have never felt too proud of collecting a bill from one of these by depriving the rest of his family of our utility services.

On the other hand, as mentioned before, our prime purpose is to serve our customers, and if we, as utility credit people, can extend credit wisely and then successfully collect the bill without shutting off the meters, we can certainly go home at night feeling that we have been of some service to our customer as well as to our company. ★★★

LAWRENCE SLOTSKY A. M. O'BRIEN WALLACE ARNEY ELDON RASMUSSEN KENNETH PILLAR

Panel Discussion at Sioux City

(Chairman) . . . Panel, please be seated. I am Lawrence Slotsky, of the Credit Bureau of Sioux City, and chairman of this panel. On my left is A. M. O'Brien who is credit manager of Younker's, Inc., in Sioux City; next to him is Wallace Arney, credit manager of Bekins Van & Storage Co.; then comes Eldon Rasmussen, controller of T. S. Martin Co.; and last but not least is Kenneth Pillar, assistant vice president and manager of the Personal Loan Department of the Woodbury County Savings Bank. We have been asked today to discuss "Credit Problems of 1956." Are you ready, panel? Here comes the first question and it's a touchy one. Do you think that as a community and as a nation we are overexpanded creditwise? Eldon, do you want to stick your neck out and answer this one?

(Eldon Rasmussen) . . . Well, it seems to me, Mr. Chairman, that as a community we certainly are not overexpanded. By this I mean that, Sioux City being for the most part a rural area and farmers being somewhat reluctant to take advantage of credit privileges in the installment field, there is still a long way to go before we reach our credit peak locally. And as a nation we perhaps still have not seen the peak of credit expansion. Of course, you realize that these are purely my own views.

(Chairman) . . . And we do respect your views as those based on serious thought and experience. Does anybody else have an opinion on this, or do you all agree?

(A. M. O'Brien) . . . I agree with Eldon. When you consider that employment is presently at a high level and individual personal incomes are at a high figure, we do not have too much to worry about from the standpoint of credit expansion.

(Kenneth Pillar) . . . That's the way I feel about it too, to a certain extent. However, we have to watch our expansion carefully and keep an eye on the gross national income. If it remains high like it is we are safe, but if it begins to slip we had better look toward some self-regulation in our credit policies.

(Wallace Arney) . . . This looks like a good place to inject a few statistics. It is estimated that about 65 per cent of all automobiles and 50 per cent of the major appliances are now being sold on credit. We cannot start now to restrict the granting of credit when our economy is geared to such a high production schedule and employment for millions hangs in the balance.

(Chairman) . . . It looks like we are all pretty well agreed on this point. We can still stand some more credit expansion but we have to keep our eye on factors such as employment and gross national income to keep our economy on an even keel. Now here is the next question: Do you think there is a loss of control over accounts by the credit department by high floor deliveries brought about by the automatic authorizations by credit cards and charga-plates? Mr. O'Brien?

(A. M. O'Brien) . . . Credit cards and floor deliveries are a feature of extra service and it can be expected that a small group of the buying public will abuse such innovations. But we must strive to please the great majority of our customers and this is the group which makes it worth while.

(Kenneth Pillar) . . . But there is bound to be a loss of control in a situation where a person can come in and charge whatever he wants under the minimum in several departments and not even have it come to the attention of the credit department until after he leaves the store.

(Eldon Rasmussen) . . . Yes, there is a certain amount of loss connected with automatic floor deliveries and credit cards, but this is a calculated risk and the losses do not exceed the benefits derived by the speed of customer service and the time saved under the procedure.

(Wallace Arney) . . . And another thing—the credit card identifies the person as one who previously, at least, paid promptly or to the credit manager's satisfaction.

(Chairman) . . . What about long-term financing, gentlemen? Do you think this is a dangerous practice?

(Wallace Arney) . . . Definitely! Going beyond twenty-four months on conditional sales contracts is just looking for trouble!

(Kenneth Pillar) . . . The thing that bothers me is that

Then and Now in Sioux City

BEGINNINGS, as a rule, are of interest only to those who make them. So the story of the organization of the Sioux City Retail Credit Association back in 1916 must needs be brief when told by a charter member. Since the National Retail Credit Association was organized in 1912, our local Association was among the earliest in the country.

The moving spirit for the gathering together of credit men and company executives to discuss credit problems was our well-beloved William C. Slotsky, then manager of the Credit Reference Company, later known as The Credit Bureau. From the beginning of the Association he has been the guiding and inspirational force in all its activities. It was his belief that only by cooperative effort and closer acquaintance between credit granters could satisfactory credit policies have community acceptance.

In retrospect, the types of business in our city differed widely from our present merchandising. For instance, every store except the "dime stores" was locally owned. The largest group requiring credit information was the grocers and many units were widely scattered throughout the city. The days of cash and carry were still in the future when Old Dobbin should be replaced by the automobile and even the two-car family. Coal dealers were among the heavy users of credit files and only the last decade has witnessed the replacement of their products by competitive fuels, thus concentrating buying to fewer outlets. Now much of the retailing in the city is done by chain stores with local managers the sole representatives of the parent companies.

Throughout these changing times our Association has been a potent factor in the credit thinking in the city. Frequent advertising of "pay your bills" campaigns has kept the public credit minded as installment buying has developed. We have made consistent efforts to change the Iowa exemption laws whereby collection of debts would be more sure. The exchange of ideas and experiences in weekly luncheon meetings and the mutual sharing in the problems of the credit manager maintain the cooperative spirit that makes for a successful organization. Our Association has always been active in the Sixth District of the National Retail Credit Association, sending representative delegations to every annual convention and furnishing outstanding programs and entertainment when we were the host.

Since there are frequent changes in the credit personnel of our members, we have had study courses in credit procedure nearly every year. These have proved helpful to old and new members alike. Credit fundamentals have been included in some of the high school courses and our members have contributed time in this instruction, hoping to develop ideas of responsibility in our future customers.

Through increased proficiency in credit technique our members are better able to further the objectives for which our association was founded some 40 years ago. By publicity and education in the practical meaning of "good credit," our community becomes a safer and indeed a more profitable city for the merchandising of goods and services.—E. S. Taft, retired president, Day Coal Company, Sioux City, Iowa, Past President, Sioux City Retail Credit Association. ★★★

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if terms become too greatly extended we are liable to see the government stepping in with controls. If we can control the situation ourselves this won't be necessary.

(A. M. O'Brien) . . . But with higher price tags on payment plan merchandise, payments must be kept within incomes. Hence, longer time financing will become more desirable and necessary. What do you think about it, Mr. Rasmussen?

(Eldon Rasmussen) . . . I do not think long-term financing is a dangerous practice on many items. However, there are certain items of soft goods which are being financed over long periods and which should not be.

(Chairman) . . . In other words, long-term financing relates to a large extent to the life expectancy of the merchandise and the amount of interest the customer will still retain in it after he makes a dozen or so payments on it, not to mention his own economic and family status after this period. Going to another subject, and briefly now, what do you think are some of the best ways to effect economies in the credit office without impairing its efficiency?

(Wallace Arney) . . . Hire competent employees!

(Eldon Rasmussen) . . . The best way to effect economies in a credit office is through efficient training of employees and the modernization of equipment.

(Chairman) . . . That's brief enough! And to the point, too. And now for the last question and forgetting for a moment that I am connected with a credit bureau: Do you feel that too much time elapses between the time of your inquiry to the Credit Bureau and the time the information comes back from the bureau at the former residence? Mr. O'Brien, I know you will be frank.

(A. M. O'Brien) . . . Yes, I will be frank. Unless some improvement is forthcoming, reports on newcomers will suffer. The customer has been educated to expect immediate service and will not tolerate any delay in the approval of his credit.

(Wallace Arney) . . . Our particular firm is quite well pleased with the service received on newcomer reports.

(Eldon Rasmussen) . . . I believe that a newcomer who makes application for credit at a store prior to receiving a credit report can be granted a limited amount of credit based upon the facts contained in his application. But of course, a prompt report from the bureau at the previous residence enables us to proceed much less cautiously.

(Chairman) . . . It is too bad we do not have the time to discuss this more thoroughly, because obviously there is a difference of opinion here. However, let me assure you that ACBofA is doing everything it can to speed up inter-bureau service and if there are some slow spots they are generally local in nature. We will not be content until everybody gets prompt service. Thank you for participating in this little discussion, gentlemen, to let the rest of the country know how we feel about just a few of the problems which confront the credit granter. ★★★

Granting Credit in Canada

C. B. FLEMINGTON . . Canadian Correspondent

We Salute the Credit Men's Speaking Club of Toronto

WE TAKE PLEASURE in reproducing for the benefit of our readers a number of short addresses on matters directly pertaining to credit as contributed by some of the members of the Club at a recent meeting.

Under the leadership of R. H. Fedy, the Club is enjoying a banner year and the enthusiasm with which its members engage in its activities augurs well for its success.

The chief aim of the Club is to foster the art of expression among members of the credit fraternity and to better equip its members to appreciate and pronounce on matters of credit and collection policy.

Would sincerely invite similar contributions from other clubs or associations across Canada.

Carl F. Flemington

D. J. Brown, Moderator:

Principles: (1) Credit is here to stay. It is a dynamic power able to create profitable sales volume. (2) Credit sales volume is increasing year after year with no letup in sight. (3) The credit executive is rapidly assuming his rightful place on the management team.

Exactly what manner of man or woman is this credit executive, that he should expect such recognition? What characteristics make a successful credit manager, and what training and background are necessary?

As late as 75 years ago most business was conducted as a proprietorship or partnership with the owners actively engaged in the operation. It was the owners who personally decided who would be allowed to purchase their merchandise on a promise to pay at a future date.

As commerce developed, business houses grew in proportion and it was not long before the proprietor realized he could not cope singly with all the problems of everyday business. Minor duties were first delegated to employees and as business continued to expand, someone had to finally be made responsible for credit control. It was only natural that this man should be the bookkeeper, because of his familiarity with the customers' accounts. Thus, briefly, we have the beginning of the modern credit manager—and for this reason we are still considered by a few as "glorified bookkeepers."

Today's credit manager is the result of business needs and business experience. Many of today's successful credit managers were thrust into their jobs with little prior experience or training. All, however, possess or have acquired the following traits: (1) Tact and diplomacy; (2) integrity and reliability; (3) judicial temperament; (4) sound judgment and analytical disposition; (5) a sincere love for the work.

A survey of credit executives in Canada today will reveal that many are members of the Canadian Credit Institute, with degrees of A.C.I. or M.C.I. They will be well versed in accounting, banking, business correspondence, commercial law, credit and collections, economics, salesmanship, general business administration, and psychology.

This is the day of the educated man and woman in business. That which we call business is a system and a science which has been elevated to equality with the learned professions. To be a businessman carries with it the idea not only of a certain practical shrewdness and capacity but also of vision. The day of the glorification of the self-made businessman is passing because trained men are stepping into responsible positions.

The businessman started as an office boy, and it was thought until a few years ago that one could become a credit man only by serving a long apprenticeship in a credit department. That method is tedious and narrow and often does not give a thorough understanding of principles. Some apprenticeship cannot be avoided, but it will be greatly shortened by study and preparation.

The successful credit manager is essentially a student. Education will give him a well-equipped historical background and a technical knowledge, but he must be a student of events and have an alert sense of the significance of business development. He must develop the ability to see ahead. Credit men, because of their constant study, should be able to read the economic future better than any other group engaged in business.

You may say that the requirements of an ideal credit manager call for a superman. But this is not so, because at present there are many credit managers who fulfill these qualifications. When we think of the progress of business in the last 20 years, when we realize that our speed forward is now more rapid than it has ever been, we see that only a person with vision can paint a picture of what business will be 20 years hence. The ideal credit manager of today has this vision and may well be the business economist of tomorrow.

Miss A. Anthony:

The Toronto chapter of the Credit Men's Speaking Club was organized a number of years ago to provide a meeting place for those engaged in credit work. Their chief aim was to enable the graduates of the Canadian Credit Institute to continue their education. This is being done by securing qualified speakers on various subjects for dinner meetings and through social affairs.

You may feel that social contact has nothing to add to one's education from a business viewpoint. But there are times when information is gained about a customer that you and I would not want to put into print; by knowing your fellow credit men and having confidence in each other, valuable information may often be exchanged.

Our chairman has asked me to comment on our new members. You may be interested to know that 14 are students, some from retail, and another 5 from banks. Others have changed their type of work and a few were transferred from another city. I sense that they are all reaching for creative ideas and new thoughts. These

tend to emerge through work, discussion, and recreation. I feel that management of retail stores and banks are now taking a more realistic view of their customers. They want to hold every customer, just as does the wholesaler.

Whether in retail or wholesale, you and I will never write collection letters that pull in the money by sitting behind a desk. It pays to join organizations, to mingle with others, and to understand them.

The moderator has asked me to comment on letter-writing—whether the formal or informal style of letter obtains the best results. Frankly, I lean to the informal type. Not only do I find that they receive better attention but they also make collections a pleasant task. A number of years ago I changed my style of letter-writing and was taught that there are two things necessary in a collection letter: Strive for attention in the opening sentence; every letter must have the "human" touch.

A. Beairsto:

I have never been a credit manager, but I try to be a good salesman for the Credit Bureau of Greater Toronto. My theme is that "a credit manager should be one of his company's best salesmen." It is definitely true that today's credit manager must not only be a master of sound credit principles; he must also be highly qualified in the art of good salesmanship. This is true whether his firm deals passively or aggressively in credit. Passive extension of credit as a company policy does not imply that the credit manager should be passive in selling himself. If the policy is aggressive, then it is vital that he should aggressively sell himself, his staff and services to the public at large.

What characteristics should he have? Initiative, perception, a thorough knowledge of his firm's policy, good organizational ability, an ability to inspire confidence, a willingness to work in close liaison with the sales department, and a knowledge of sound credit principles are all desirable traits.

A good credit manager can help his company's sales department by means of aggressive solicitation of new credit business from his company's cash customers, from cash or credit customers dealing elsewhere, from new arrivals in the community, from newlyweds, from young people reaching the stage of independent purchasing and payment, from homeowners. He can offer attractive credit terms, interest on DA credit balances, and possibly a rebate on annual credit sales.

Before soliciting new credit business, however, he should check his files to see if new prospects have previous credit records with his company; he should be reasonably sure that the prospect is a good credit risk, and he should work closely with his Credit Bureau.

Of course it is vital that his staff always be attentive, tactful, and courteous to customers, in addition to being efficient and cooperative in their dealings. One of the credit manager's best assets is the good will he can spread for his company, not only through himself but through his staff.

R. S. Simmonds:

I believe that one psychological problem facing a large number of credit personnel is frustration. This condition, in my opinion, is caused by three things: (1) The nature of our work, (2) the fact that we are overworked, (3) the fact that we are underpaid.

Concerning the first factor: We know that in order to do a better job, we should be meeting our credit customer personally, we should see his business operating so as to compare firsthand impressions with the facts and figures we have in our files. Yet, because of pressure we continue to confine much of our credit operation to work behind the desk, to reliance upon our files. Either we are forced, or we allow ourselves, to be prisoners chained to our desks.

Concerning the second factor: Management still is inclined to consider us as clerks and specialized bookkeepers, and consequently we do not know what a five-day week or an eight-hour day looks like. The mass of detail work which has remained a large part of our job prevents us from fulfilling our true positions as credit managers.

Concerning the third factor: We must have broad education, experience, and specialized knowledge. But the business acumen which is necessary if we are to do our job efficiently goes largely unappreciated by management. Consequently we are relatively underpaid.

Taking these three factors in the same order, let us consider the effects which they have on us. The nature of our work splits our personality, necessitating our thinking in terms of sales with good accounts, and in terms of collections with poor ones. Because we are overworked we are unable to give the leadership and training to our staffs which would in turn lead to the lessening of our own work loads. Because we are underpaid we lack the prestige within our community and company that our job warrants, and thus our morale and ambition suffer.

What are the solutions to these problems? In my opinion, a management relations programme conducted by the Canadian Credit Institute could contribute much. It would make management realize that appreciation of a credit manager's true function, and the way it must be carried out, would result in better company operation and growth. It would inform management that a credit manager should manage credit, and that clerks should be hired to do clerical work. It would increase appreciation of a good credit manager's attributes, and bring home the fact that he cannot be bought for a clerk's wages.

Though I have placed the onus on the C.C.I. to take action, it should be stressed that we all must contribute to the solution of these problems. But the leadership must come from an official body if a corporate voice is to be heard by management. This leadership, however, cannot come forth without strong support of the C.C.I. by all its members. This support must be financial as well as moral, and I suggest a minimum membership of three dollars a month or 35 dollars a year. The Institute's publications should be expanded, and either subsidized by our fees or distributed on paid subscriptions. The price for relief of our frustrations as credit people is cash.

H. K. Edward:

The operation of business without credit is unthinkable today. It sustains sales at high levels—an absolute necessity to the technique of modern business. However, too

(Turn to "Speaking Club," page 31.)

A Report on Retail Credit in Britain

LEONARD BERRY, *Educational Director,* National Retail Credit Association

DURING DECEMBER, 1955, it was my privilege to address two large retail credit association audiences in Britain. One was at London, England, and the other at Edinburgh, Scotland. The warmth and cordiality of my welcome and the intense earnestness with which those present listened to a report of retail credit policies and procedures in the United States are indicative of the rapidly mounting interest in retail credit. It would be impossible for me to attempt to make a comprehensive analysis of a most complex economy based on a visit of only a few weeks. However, here are a few general observations.

Britain is fighting another war! This one is against inflation. It is both strenuous and necessary. Battered by two major wars and a deep depression, Britain nonetheless has made a most remarkable recovery. The nation is experiencing an industrial boom of marked proportions. With full employment and relatively high wages, however, an undue proportion of the stepped-up industrial output has been going into the hungry home market and exports accordingly have shown a severe decline.

The Nation's Problems

The nation's impelling necessity of maintaining export trade is expressed by the current slogan, "Export or Die." It is no meaningless slogan; it is desperately true. There are 44 million people in an area less than that covered by the state of Iowa. Domestic food production is enough to feed those people for only four days each week. Hence, food must be imported and manufactured goods exported to build up trade balances abroad.

Faced with mounting prices and rapid inflation, the government took strong measures. These included increasing the bank rate, restricting instalment buying, and expanding and increasing the purchase tax. The main purpose of these drastic measures was to reduce home consumption and thus release goods for export. As to the wisdom of these measures, there is sharp difference of opinion. These facts are given here only to point out that widespread consumer credit facilities on anything like the scale we have in the United States are not possible in Britain at the present time.

There is little doubt, however, that Britain will successfully cope with her problems and will surge strongly in the next few years in the direction of vastly increased mass production of manufactured goods. She is now bumping the ceiling of available industrial power, but the vast progress in development of atomic power for industrial production will remedy that.

As Britain's financial position improves and her production rate increases, there will come a time when the benefits of mass credit facilities will be essential to provide the steady and accelerated market inseparable from mass production. When that time comes, the retail credit trade will come into its full flower as a powerful and beneficial force.

Till then we should try to understand Britain's economic position and heroic effort. We in the retail credit field can be especially useful—if not now, certainly in the near future. We can share our "know-how." We can help to show the road to avoid the dangers and difficulties we have, fortunately, successfully passed.

Of first importance is the encouragement over there of the kind of close and full cooperation that characterizes American retail credit granters. The National Retail Credit Association was founded in 1912 by 18 sturdy pioneers who decided that cooperation was better than isolation, trust infinitely to be preferred to distrust. These farsighted men felt strongly that there was, indeed, "strength in unity." Today, over 38,500 American credit granters uphold the same ideals. Fortunately, vanished forever in America are the days when merchants actively distrusted each other and, indeed, often gave misleading or downright false information to their competitors. We have learned through long and perhaps bitter experience that the lonely road is a dangerous one. In the coming *credit economy* in Britain, credit granters there must learn the same lesson. Our example and stimulation will help them to avoid some of the perils of "going it alone."

Out of that must necessarily come a system of credit reference bureaus similar to ours. Without up-to-date and streamlined credit bureaus such as have been developed here, the whole retail credit structure cannot stand securely. Credit bureaus in Britain are in their infancy. Valiant efforts are being made to build them up but progress is discouragingly slow. The average merchant prefers to make his own investigation and is deeply distrustful of the other fellow.

Leaders Need Your Help

The leaders in retail credit in Britain know these things well. However, they are only a small part of the vast number of merchants and retail credit granters who must be reached. These leaders would be grateful for your help. They will welcome testimony from you as to the immense benefits and the essentiality of close cooperation among themselves and also with the credit bureau. This seems to be our responsibility. We have the obligation, it appears to me, of sharing our knowledge. It is also an opportunity for an immense contribution to the credit profession on an international basis.

Credit buying, or "Hire Purchase" as it is known, is not yet regarded as being completely respectable and the derogatory term "Never-Never Plan" is heard frequently. Because of this official and unofficial attitude, retail credit generally is wrapped in secrecy and it is difficult to obtain exact information as to its scope and volume. One source gives an estimate of the amount of consumer debt at around 3 per cent of annual personal income. This compares with the current 9 per cent instalment debt to disposable personal income in the United States. One in five new cars in Great Britain and about the same proportion of used cars are sold on an instalment basis. Compare this with the half of all new cars and three-quarters of used cars sold here on time-payment plans. This gives some indication of the enormous markets which will be possible as production

levels rise and consumer credit facilities are more enthusiastically encouraged. The same opportunities exist in every phase of home equipment and furnishings, to say nothing of apparel.

There are vast differences between retail credit in the United States and retail credit in Britain. Some of the larger stores in metropolitan areas do extend credit on a basis similar to our procedure; however, the vast preponderance of credit traders are house-to-house travelers who also collect each week or each month.

Historically, the credit trade in Great Britain goes back at least 120 years. There are still in existence minute books of credit drapers' associations over 100 years old. J. S. Macintosh, General Secretary, National Federation of Credit Traders, proudly showed me an old ash pack stick carried by one of his Scotch ancestors. These pack sticks are symbolic of the credit trader's activity. However, credit has not been developed much beyond that point and its potentialities are exploited to far from even a fraction of their possibilities.

The credit trader has a "round" or list of households to be visited week by week, selling goods on credit and collecting the money for them in instalments over 20 weeks or so. He usually charges 5 per cent of the price for his services, but the real reward for his trouble in collecting week-by-week on the doorstep is the steady continuity of custom he or his agents maintain with families through years or even generations. He saves the expense of having a store and tying up capital in large stocks. He takes orders from samples, though the practice of keeping a small showroom to which salesmen can send customers to choose fashion goods is growing; so, also, is the practice of arranging with wholesale warehouses to receive "customer custom"—that is, to let the credit trader's client choose direct from wholesale stocks.

A great and coordinated program of education will be necessary. This will involve education for both the credit consumer and the credit granter. The consumer must be shown that the wise use of consumer credit is the modern way of spending earnings to bring more of the good things of life to more people sooner and cheaper. The lingering stigma which attaches to instalment credit must be replaced by a wholesome and intelligent attitude to this modern method of buying. As for the credit granter, he must be taught that while his job is one of *protection* it is one also of *promotion*. He must promote profitable credit sales for his firm.

A print of our new credit educational motion picture, "The Good Things of Life—on Credit," was presented to Mr. Macintosh. It will be widely shown in Britain and will be a powerful educational medium. Articles concerning credit trading in Britain for The Credit World have been invited from leaders there. It is possible that The Credit World will enjoy a wider readership in Britain as this interchange of ideas and knowledge grows.

On the personal side, we had a wonderful time. We met and enjoyed a score of relatives. We were entertained in homes as well as staying at modest hotels. We talked to dozens of people. I attended five Rotary meetings.

We drove over 2,700 miles in our rented car. Road surfaces are uniformly good. However, the roads twist and wind so that speed is almost impossible. In winter the daylight hours are few . . . it is barely light at 8:30 A.M. and completely dark at 4:00 P.M. To drive about two hundred miles was considered to be a day's work.

Motorists in Britain (and indeed everyone) possess the quality of courtesy to a marked extent. It is a pleasure to drive in a country where good road manners are so clearly demonstrated. There is a complete absence of horn-blowing, except in cases of real emergency.

The Automobile Association patrols all principal roads regularly. The uniformed motorcycle staff members give snappy salutes to motorists bearing the association's symbol. It is comforting to feel that you are protected, as it were, by this vast network of AA facilities. Every thirty or forty miles or so there is an AA box containing a telephone, etc. All members have keys to these boxes and thus needed assistance is never very far away.

It is a beautiful country, even in winter. The damp atmosphere and absence of extremes of heat and cold mean a lush undergrowth. Hedges, particularly the holly, were almost brilliant in their winter greenery. The ever-present clouds and mist give a sort of "watercolor" effect. No brilliance—just soft grays and muted shades.

To my way of thinking, Britain has a future as well as a past. However, many obstacles must be overcome and adjustments made. That they will be, I have no doubt whatever. Britain remains an important factor in the world. We in America have much to gain by a sympathetic understanding of her problems and intelligent help in their solution. Consumer credit techniques, patterned after ours, will play a vital role in Britain's future. ★★★

What Is the Most Important Credit Problem *for 1956?*

Our problems are definitely linked to the particular line of credit granting we are individually engaged in. For example, in automobile financing, our largest single problem will be to collect those accounts which we, in our anxiety for volume in 1955, allowed to open with little or no true equities and over-extended terms. Along with this, we should resolve to return at once to equitable down payments and acceptable terms. In department and specialty stores, I foresee no great individual problem, but suggest we strive for simplification of credit terms to the degree, at least, that all credit customers fully understand what is expected of them in the manner of repayment. Too often, as a store grows in size and volume, management assumes that all customers, old and new, are conversant in credit terms to the extent that they immediately understand sometimes hastily explained terminology. Time spent in simplified explanation to the customer will pay dividends in the collection picture. In banks or small loan and discount companies, it might be well to look for more diversification in our loan portfolios. If the automobile industry should falter, maintaining an even keel can be accomplished by a diversified lending program.—R. E. Dyreson, Illinois National Bank & Trust Company of Rockford, Rockford, Illinois.

* * *

Last year saw not only new records in the volume of credit outstanding but also new records in the rate of consumer credit expansion; 1956 should see a leveling-off in the rate of expansion and new high totals for consumer credit outstanding. It will be a year of good business on the high plateau that we have reached. With employment at high levels, with new family formations, with wage increases that have already been negotiated and more to follow in the same pattern, credit will continue to offer valuable new sales volume. The biggest job in 1956 is going to be more thorough screening of credit applicants . . . both new and old. Credit outstanding is not dangerous on an over-all national level, but national averages are not much consolation if too many individual poor risks are accepted. Each credit transaction is an individual case. It cannot be viewed through the rosy glow of high business statistics but must be decided on its own merit: Will loss of overtime affect this situation? Is the applicant carrying as much debt now as he can satisfactorily handle? Are there personal factors that must be taken into consideration? The problem in 1956 is not how much credit . . . but how good. To protect your business, to raise the prestige of the credit profession, to help the general economic welfare, you have a responsibility to see that credit is extended soundly. You can do this easily by more careful credit investigation, without hindering in any way an aggressive program for more credit sales.—L. C. Fox, General Manager, Credit Bureau of Flint, Flint, Michigan.

* * *

One of the more perplexing problems in the medical field is the constant lack of concern given to *unpaid* or *delinquent medical bills.* These could be either hospital, doctor, or dental bills. I think it is a matter of education on the part of those in the regular retail credit establishments that they give equal value to an unpaid bill regardless of with whom the account is made. Only a day or two ago a man was in my office checking his wife out of the hospital, and he stated, "I suppose you know that I do not have to pay this, since it will not do any harm to my credit rating: but I consider it a matter of ethics that I pay you, even though I do not have all the money to pay the account at one time." This man stated in everyday language the attitude of too many credit people toward unpaid medical bills. I have dedicated myself to trying to impress as many credit people in this area as possible with the fact that an unpaid doctor or hospital bill is just as important as an unpaid food or clothing bill. I believe the theory needs emphasizing that anyone who will beat a bill, regardless of who the creditor is, will beat another if given an equal opportunity. My greatest hope is that this opinion will receive the attention of some otherwise good credit manager, who has heretofore been inclined to overlook a credit report that indicates a string of unpaid doctor or hospital accounts, but who will now look at them in a new light.—O. R. Hurst, Office Manager, The Baptist Hospital, Beaumont, Texas.

* * *

Nationally recognized economists predict that business in 1956 will surpass that in 1955. A recent McGraw-Hill survey estimates that business spending in 1956 for expansion and modernization will exceed this year's all-time high. More people will be employed than at any time in our history. What does this mean to the credit granter? An opportunity for more credit sales and profit, of course! But although credit sales in 1955 were at an all-time high, credit repayment in 1956 will also be at a record level. It is a challenge to the aggressive retailer to show an increase and profit through new and different credit sales techniques and vehicles for credit buying. The greatest asset in any industry is its personnel. From it springs the enthusiasm, the inspiration that makes all business take on new life. Wonderful opportunity exists in the retail credit field. Although we, of the credit industry, are very proud of the accomplishments to date, the credit service potential is unlimited. The recruitment of high caliber, well-trained personnel, who have studied business administration and human relations, who come into our field with fresh, inquiring minds, will find fertile soil in credit retailing and speed our progress. Our best investment in 1956 will be in research for better ways to "credit serve" our customers.—George P. Johns, General Manager, Credit Bureau of Decatur, Decatur, Illinois.

* * *

I believe one of our problems is to get and take care of properly the new business that is available for us. We are living in a time of expansion. If we are alert and go out after our fair share of the available business we will get it. After we get our fair share of the business we must be prepared to handle it properly. The old methods must be replaced by new and faster ways of serving our customers. We must make it convenient and easy for them to open new accounts and to use the accounts that they have already opened. We should acquaint them with the types of credit we extend and the ways of using them. Some of our credit granters have found new ways of using credit to expand their business. Others have not made any changes since they originally started to grant credit to their customers. We must keep abreast of other segments of business if we are to progress as we should. The automobile manufacturers have developed new motors, power steering and power brakes, two-tone jobs and so forth, and we must do the same for credit. We must all try to develop new methods to serve our customers better. In order to accomplish this, all in the credit fraternity must work together.—N. W. McGinty, Credit Service Company of Billings, Billings, Montana.

* * *

Our most important retail credit problem for 1956 has to do with making credit information more easily and speedily available to retailers for speeding credit transactions safely. Better cooperation between credit granting firms and the credit bureau, plus the development of new or improved methods of packaging or delivering credit information, will help us solve this problem. This increased tempo of all kinds of business transactions makes it imperative that our credit granting machinery use all new, automation devices where possible, in keeping pace.—Francis W. Smith, Salem Credit Association, Salem, Oregon, President, Associated Credit Bureaus of America.

* * *

I do not believe we will experience any new problems—merely a repetition of those we have faced in the past. Yet, now is the time to pause and review the results in order that we may determine whether or not we arrived at the best possible solution. The problems which confront us are:

Have we overextended too much?

Have we adhered to our policy?

Have we given full consideration to borderline cases?

Have we kept in mind our credit department is sales-minded?

Have we maintained a friendly, helpful attitude?

It is my firm conviction that the problems we face in 1956 will be affected by local conditions as well as the situations in our offices. It is noted that several leaders in the retail credit field express the belief that credit will tighten up during the year, which may be true with some commodities. However, a comparison of 1954-1955 facts and figures from my own office with those of several other retail furniture credit houses leads me to disagree. My opinion is that we will enjoy the same increase in our credit and collection departments this year as we did in 1955.—Florence A. Wyatt, Credit Manager, Butterworth Furniture Company, Inc., Richmond, Virginia.

CREDIT FLASHES

Are Credit Interchange Reports Expensive?

Recently, a member who had been clearing all trade references by mail and telephone made a survey as to the cost of this method of obtaining paying information and he was very much surprised at the results.

His salesmen, when taking a first order, filled out a form "Salesman's Credit Report." In addition to other pertinent information it was customary to list at least six suppliers from whom the account had been purchasing and one bank. This report was given to a clerk in the credit department and this procedure was followed:

1. The credit clerk referred to the telephone book to secure the addresses of the six suppliers, also the bank.
2. Seven inquiry forms were typed in duplicate, addressed to each supplier, with his name and address, name and address of the credit applicant, and amount of first order.
3. Typed addresses of seven references using seven envelopes.
4. Folded inquiry forms, return envelopes, and stuffed into envelopes and mailed to references.
5. Made credit folder and held with order in abeyance.
6. In three days a reply was received from one reference. Looked up pending folder and placed reply from reference therein.
7. Fourth day one more reference replied. Same procedure followed as in No. 6.
8. Next day another reference replied. Same procedure followed as in No. 6 and No. 7.
9. Seventh day pending folder pulled to see if order could be shipped. The three references that had replied had not sold in sufficient amounts to give a good indication as to whether it was safe to ship the order or not.
10. The other three references and the bank were phoned for their information.

The estimated cost of the above is as follows:

1. Time of clerk	15 minutes		
2. Time of clerk	20 minutes	14 forms	.07
3. Time of clerk	10 minutes	14 envelopes	.09
4. Time of clerk	5 minutes	14 3¢ stamps	.42
5. Time of clerk	... minutes		
6. Time of clerk	5 minutes		
7. Time of clerk	5 minutes		
8. Time of clerk	5 minutes		
9. Time of clerk	5 minutes		
10. Time of clerk	20 minutes		
	90 minutes	@ $1.20 per hour	$1.80
			$2.38

This survey of expense convinced this credit executive that the cost of a Credit Interchange Contract was not an expense, it actually reduced expense.—*Service Bulletin*, Kansas City Wholesale Credit Association, Kansas City, Missouri.

Coming District Meetings

District One (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Provinces of Quebec, New Brunswick, Nova Scotia, and Prince Edward Island, Canada) will hold its annual meeting at the Sheraton-Kimball Hotel, Springfield, Massachusetts, May 6, 7, and 8, 1956.

District Three (Florida, Georgia, North Carolina and South Carolina) and **District Four** (Alabama, Louisiana, Mississippi, and Tennessee) will hold a joint annual meeting at the Battery Park and George Vanderbilt Hotels, Asheville, North Carolina, April 15, 16, 17, and 18, 1956.

District Seven (Arkansas, Kansas, Missouri and Oklahoma) will hold its annual meeting at the Allis Hotel, Wichita, Kansas, April 7, 8, and 9, 1956.

District Eight (Texas) will hold its annual meeting at the Stephen F. Austin Hotel, Austin, Texas, May 20, 21, and 22, 1956.

District Ten (Alaska, Idaho, Montana, Oregon, Washington, Provinces of Alberta, British Columbia, and Saskatchewan, Canada) will hold its annual meeting at the Olympic Hotel, Seattle, Washington, May 19, 20, 21, and 22, 1956.

Organizational Meeting at Amsterdam, New York

Preliminary steps in the organization of a local Retail Credit Association have been made in Amsterdam, New York. Donald Olender, Chas. J. Olender & Sons, is general chairman and co-chairmen are Paul Guttenberg, Montan's, and Kenneth Pangburn, Credit Bureau of Amsterdam. The new organization, sponsored by the Amsterdam Credit Bureau, will have a membership of about 40 and will be affiliated with the National Retail Credit Association.

Roanoke Rapids, North Carolina

The new president of the Credit Bureau of Roanoke Rapids, Roanoke Rapids, South Carolina, is E. H. Lewis, Jr., and the secretary is Mrs. Mary M. Burnette, both of the Credit Bureau. Chairman of the Credit Bureau Committee is G. F. Moose, Western Auto Associate Store.

L. F. White

L. F. White, for 20 years office manager, Lawlor's, Lincoln, Nebraska, died February 16, 1956. For many years he was active in credit association work. In 1952 he was president of the Lincoln Retail Credit Association and for the past six years he had been Secretary-Treasurer of the Sixth District of the National Retail Credit Association. A member of Kappa Sigma fraternity, he was active in the financing of the fraternity's chapter home now under construction near the University of Nebraska campus. Capable, cheerful, friendly, he will be missed by all who had the privilege of knowing and working with him.

Credit Careers

Fred C. Marth

AFTER A distinguished career as a credit executive which spanned fifty years, Fred C. Marth has retired as credit manager, A. Harris & Company, Dallas, Texas, on February 29, 1956. Mr. Marth was born in St. Louis, Missouri, and came to Dallas in 1906. For 12 years he was connected with Sanger Brothers in the Cashier and Credit Departments. In 1918 he joined A. Harris and Company. He was secretary of the firm and was a member of the Board of Directors for many years. During the half century of service he has accumulated an impressive record of service to our national, state, and local organizations. He is a past president of the Dallas Retail Credit Managers Association, having served in that capacity in 1940. He served as president of the Retail Merchants Association of Texas for two years, 1940-1942, and as president of the Dallas Retail Merchants Association, 1943-1945. He served as director of the National Retail Credit Association from 1945 to 1947, and was a director of the Dallas Retail Merchants Association for 15 years. In addition to all these activities Mr. Marth has been active in civic and church organizations, belonging to the Kiwanis Club and serving as a member of the official board of the Highland Park Methodist Church.

We know that he will enjoy his retirement, especially since he will now have more time to devote to his two favorite hobbies, flower gardening and fishing. After March 1, 1956, he can probably be found at the Rock Falls Fishing Club in Dallas where he owns a cottage, boat and motor. His home is at 4635 Versailles, Dallas 9, Texas. His many friends throughout the country wish him many years of health, happiness and enjoyment in his well-deserved retirement.

Edmonton, Alberta, Canada

The 1956 officers and directors of the Credit Granters' Association of Edmonton, Edmonton, Alberta, Canada, are: President, Charles D. Murray, Holt-Renfrew & Company, Ltd.; Vice President, Robert Chorney, Prudham Building Supply, Ltd.; and Secretary-Treasurer, C. H. Williams, Credit Bureau of Edmonton, Ltd. Directors: Harold Kent, Imperial Oil Company, Ltd.; Min McGaffin, Tracy's Smart Apparel; W. R. Sword, T. Eaton of Canada, Ltd.; R. A. Ireland, Bank of Montreal; Allen Peebles, National Home Furnishers, Ltd.; Gerald D. Hare, Northern Nash, Ltd.; Tom Collins, Campbell's Furniture, Ltd.; and Miss C. W. Dear, Credit Bureau of Edmonton, Ltd.

The BOOK SHELF

Common Sense in Letter Writing (The Interstate, 19-27 North Jackson Street, Danville, Illinois, 81 pages, $2.25). This book, by W. H. Butterfield, formerly educational director of the National Retail Credit Association, covers six steps to better results by mail. They are: Be sure you say what you mean; Say it—don't take half a day; Keynote each letter with courtesy; Focus your message on the reader; Make it sound friendly and human; and Remember the *tact* in con*tact*. This book will be helpful to anyone, from beginner to expert, who writes business letters. You will also find that it is an ideal book for you to present to your people who write your business letters.

How to Live 365 Days a Year (Prentice-Hall, 70 Fifth Avenue, New York 11, New York, 241 pages, $3.95). In this century, for the first time in history, there has been developed a startling new knowledge of the know-how for living. That new knowledge is now presented, in practical, usable terms, in this new book by Dr. John A. Schindler, chairman of the Department of Medicine, The Monroe Clinic, Monroe, Wisconsin. It has one purpose: to teach people how to change their way of living from the way in which they have conducted their last 365 days, to a new way by which they can really live during the next 365 days, and their days thereafter.

Double Feature Anniversary

The Retailers Credit Association of Contra Costa County, Martinez, California, celebrated their thirtieth anniversary along with the Credit Women's Breakfast Clubs of Contra Costa who celebrated their fifth anniversary at a dinner held recently in Orinda, California. Highlight of the dinner was a talk by George A. Scott, Walker-Scott Company, San Diego, California, who spoke on "C-R-E-D-I-T Does Not Spell Credit." As an unexpected surprise at the beginning of his talk, Mr. Scott awarded to the Credit Women's Breakfast Club Golden West Council, District Eleven, all transportation costs each year for a trip to the Hawaiian Islands, to be available for the district president beginning with the present one, Janice Pappas, of Sacramento, California. This award was made from the Scott Foundation established in memory of his wife which is used for philanthropic purposes. Since the district president must pay most of her travel expenses throughout her district, she has been prevented from traveling to Hawaii, also part of her district. The group expressed warm appreciation for this gift. David Blair, H. Liebes and Company, San Francisco, California, was master of ceremonies at the dinner.

CREDIT DEPARTMENT *Letters*

LEONARD BERRY

YOU WILL AGREE, I am sure, that we are in an era of intense competition. We are all fighting furiously for our share of the consumer dollar.

Salesmanship of a superb order is necessary to create the demand for the goods we are capable of producing in such prodigious quantities. This outstanding salesmanship is required all along the line, from the raw materials stage to that essential "final sale" to the consumer. Of what value is it to possess the ability to produce so abundantly unless we are successful in inducing the consumer to buy?

Now, perhaps more than ever before, the modern credit manager must regard his principal function as one of stimulating sales at the retail level. He must operate in a *framework of protection,* firmly adhering to the basic principles of sound credit, but devoting the larger part of his time and talents to credit sales promotion.

Business communications play a large part in this. The power of the written word can hardly be overestimated. Warm, friendly letters that win new customers . . . adjustment letters that keep good will . . . collection letters that sell, all are examples of communications that result in improved public relations for the credit department and more successful credit sales programs. Every word we write has its effect on success or failure in capturing our share of the market. The store or firm writing better letters has a competitive edge over the other fellow.

As for the soundness of the total consumer debt, all of you have read and heard countless statements from authorities of varying competence. There are almost as many opinions as there are economists.

It is not my purpose here to discuss the over-all economy. However, what is of fundamental importance is that each individual credit granter keep his own house in order. When each separate credit transaction is based on the ability of the customer to pay and buttressed by evidence of sound personal character as demonstrated by a satisfactory credit bureau report, the final result will be good. It is not so much the *quantity* of the consumer debt that should primarily concern us but the *quality*. And that quality is the responsibility of each credit manager, operating in his own sphere of influence and control.

Because we have thus two burdens to carry, and hold each in delicate balance, we need every possible assistance we can get. The basic principles of sound credit management must be stated and restated. We must search everlastingly for new ideas of successful credit sales promotion. Being a credit manager these days is no easy task.

It needs to be said that every credit manager, regardless of his years of experience in the retail field, should participate fully in the activities of the local retail credit association. It is by sharpening one's wits on the whetstone of discussion of mutual problems that we can best cope with the many demands on us.

Similarly, every credit sales manager or key supervisor should be given the opportunity of attending district and national credit conferences in order to gain a better understanding of the many facets of his job. This is a complex and, indeed, baffling economy. In order to make sound decisions and channel credit sales promotion activities profitably, it is necessary to take advantage of all educational possibilities: and such opportunities are provided in abundance at these conferences.

This Month's Illustrations →

All our illustrations this month come from Sioux City, Iowa, the city to which this issue of The Credit World is dedicated.

Illustration No. 1. An example of a friendly, cooperative collection approach used by the Bekins Van and Storage Company. We are glad to notice that the firm's telephone number is included on the letterhead. This procedure is a real convenience to customers wishing to telephone concerning the account.

Illustration No. 2. Here is a splendid instance of effective follow-up after a sale has been completed. The gracious "thank you" and additional services offered make the customer feel that his patronage is truly appreciated. Dickson Motor Company undoubtedly reaps profitable new business by this thoughtful gesture. Again we are pleased to see the firm's telephone number on the letterhead.

Illustration No. 3. Another courteous collection reminder, used by Weatherwax Company. It is important in the early stages of collection follow-up to select pleasing words, as this one does, to give the debtor the impression that payment *could* be made.

Illustration No. 4. T. S. Martin Company also uses the gentle approach in this collection letter. Later on, when debtors resist the mild reminding, the tone, of course, changes and more forceful appeals are employed.

Illustration No. 5. Printed notices are being used for an increasing number of credit department correspondence situations. The Security National Bank sends this one to "paid-up" accounts. It is a gracious expression of appreciation for prompt payment, plus a cordial invitation to make use of the bank's facilities in the future. Printed notices have the great advantage of being easily prepared for mailing and the cost is usually less than that of form letters. ★★★

BEKINS VAN & STORAGE CO.

SINCE 1891 — WAREHOUSE FURNITURE STORE

MOVING · SHIPPING
PACKING · STORING
HOUSEHOLD GOODS

Phone # 3561
Fifth and Wesley Streets
SIOUX CITY 5, IOWA

Date

1

Mrs. John C. Customer
000 Main Street
Your City, Your State

Dear Mrs. Customer:

In calling your attention to the terms of your account, we have only the friendliest of motives in mind.

We realize that occasionally a remittance is overlooked or something unforeseen arises to prevent each payment being made exactly as agreed.

It is our desire, however, to assist our customers in maintaining a good credit record. If it is not convenient for you to make a necessary payment of 200.00 we ask that you communicate with us by (date).

We will be pleased to cooperate with you in every way possible.

Very truly yours,

BEKINS WAREHOUSE FURNITURE STORE

W. A. Arney

W. A. Arney
Credit Manager

Terms: $ Amount Due: $ Balance: $

HART SCHAFFNER & MARX CLOTHES

WEATHERWAX

600 - 4th STREET • SIOUX CITY 1, IOWA

Date

3

Mrs. John C. Customer
000 Main Street
Your City, Your State

Dear Mrs. Customer:

In the majority of cases, our charge account customers send their checks to us promptly, but when they fail to do so it is usually because settlement has been overlooked.

We feel sure that this reminder will be accepted in the same friendly spirit in which we are sending it and that your remittance will be forwarded promptly.

Thank you.

Cordially yours,

WEATHER WAX, INC.

Credit Department

Amount overdue: 200.00
Owing since: (date)

Thank You

5

It has been a pleasure to serve you through our Personal Loan Department, and we want to express our appreciation for the way you handled your part of the transaction.

The Security Bank makes loans for a wide variety of purposes, including low cost financing for automobiles, household appliances, home improvements and personal needs. In view of your excellent record, you may be certain your borrowing needs will have full consideration.

We are equipped to handle any and all of your banking needs and invite you to make use of our other banking facilities.

There may be times when a friend or relative can use bank credit to advantage. In any such instance, we will consider it a great courtesy if you mention our loan services.

PERSONAL LOAN DEPT
SECURITY NATIONAL BANK

Dodge-Plymouth PASSENGER CARS — **DICKSON MOTOR COMPANY** — *Dodge* "JOB-RATED" TRUCKS

Phone 8-0681 219 W. 7th Street
SIOUX CITY, IOWA

Date

2

Mrs. John C. Customer
000 Main Street
Your City, Your State

Dear Mrs. Customer:

I wish to take this opportunity to thank you personally for the recent privilege of serving you. It always gives us a feeling of great pride to deliver a new or used vehicle to our customers. We sincerely hope that you are satisfied in every way with your purchase and feel that you have found in our company a new friend who is ready, willing and able to attend to your motoring needs.

Within a week or so our salesman will again call upon you to see if he can be of any further service to you or help you with your motoring problems. We have taken the liberty of giving your name to our service manager, Mr. Adolph Jotske. I am sure that, in the near future, he will correspond directly with you and explain in detail our factory approved Motor Maintenance Program.

If you have any questions at all concerning your vehicle purchase, please do not hesitate to call us.

Very truly yours,

DICKSON MOTOR COMPANY

N. E. Dickson, President

T. S. Martin Company

SIOUX CITY, IOWA

4

Date

Mrs. John C. Customer
000 Main Street
Your City, Your State

Dear Mrs. Customer:

It is only human to overlook a bill now and then... and probably that is what happened to the statements you have received regarding your charge account. Accounts are considered due in full within thirty days from date of billing.

We know you will respond to this note in the same friendly spirit in which it is written and that your check will be mailed within a day or two.

Very truly yours,

Balance due: 200.00

(Mrs.) E. Conroy
Credit Department

The CREDIT Clinic

Sales Promotion · Interviewing · Investigating · Authorizing · Billing · Collections · Control

A "give-and-take" page wherein readers may ask — and answer — questions about their credit and collection problems and solve them in the laboratory of practical experience

Petroleum

QUESTION

(a) What guides should be used to make comparisons of monthly collection percentages and where can such guides be obtained?

(b) Should I age "Accounts Receivable" every month and how can I get the best use out of the figures?

ANSWERS

H. R. Chesney, General Petroleum Corporation, San Mateo, California: (Part A) Assuming that monthly collection percentages are computed, guides may be obtained at least in a general way from various publications which reveal collection trends. A continuous running record of percentages by delinquency, i.e., 30 days past due, 60 days past due, and over 60 days past due, should be sufficient to compare an operation with the previous year. Economic factors must also be considered, particularly as it affects the particular classes of trade to which sales are being made. Graphs are also helpful in following the credit department operations and are most advantageous when they are blown up and operations are presented to department managers at periodic meetings.

(Part B) In this day of modern credit we are obliged to forego some of the basic factors for true department evaluation. Most credit department operations are streamlined as a result of increased costs and the advantages offered through machine accounting. Machine rentals are also a factor and quite often it is not possible to provide all of the statistical information that would be most helpful to a credit department manager. Despite these streamlining efforts I have found that a satisfactory comparison on retail accounts can be realized by development of figures on a quarterly basis. Some credit managers may still like the monthly comparison but the actual variations by the quarter, particularly after the first year of establishment on that basis, are sufficient to take the necessary action in collection follow-up to meet economic changes. Wholesale accounts, however, present another problem and monthly figures are almost a necessity. For the purpose of comparison, a continual running record of percentages for retail accounts by quarter, and wholesale accounts by month, should tell the story. Statistics relating to various industry figures are available through other publications. Exchange of ideas and figures with other credit managers is also helpful.

T. J. Fahay, Union Oil Company of California, San Francisco, California: (Part A) Monthly collection percentages should be compared to those of the preceding month and same month preceding year. The American Petroleum Institute credit division publishes from time to time collection percentages of other oil companies within the industry. Our figures should be compared with those. Retail percentages can frequently be compared to the percentages reached by the local department stores and others who keep accurate records of their collection efficiency. Any marked deviation from these figures should be cause for investigation and explanation.

(Part B) It has been our custom to age our accounts receivable each month. Only in this way, when selling on regular 30-day terms, can we determine the collection results we are obtaining. The totals obtained, both in number and money, should be discussed with the sales representatives responsible for collection and with the credit personnel responsible for supervising collections. They should also be familiar to credit personnel approving any new applications as an indication of the results of their judgment in approving such applications, as well as the collection follow-up being given the accounts from a field level.

Joseph E. Starks, J. H. Rae Oil Company, Rochester, New York: (Part A) We have had different interpretations of what is meant by the question. As far as we know, there is no local or national guide published to determine average collection percentages. Dun & Bradstreet have occasionally published reports received from a limited number of subscribers concerning collection percentages. Their report, however, is restricted to what we would consider wholesale fuel oil, gas, etc., accounts. These collections average between 28 and 45 days. This probably is of little use as a guide in determining collection percentages. There is no retail experience that we have ever been able to tap by which we, ourselves, may be guided. Therefore, the following information, while maybe not exactly on the point, might be a basis for developing a questionnaire which eventually will produce a "guide" useful to the petroleum industry. Collection percentages concern two important phases in the petroleum business—namely, wholesale (meaning industrial, commercial, and service station accounts) and retail accounts. A debit paying record or a capital position many times varies the extent of credit, and hence the ability to pay on terms. Wholesale accounts usually are restricted on a load basis or a value basis because the debit can be very sizeable per load. Our experience with this type of account has usually been good because they are controlled by a carefully watched credit rating, such as load to load, $200 limit, one delivery at a time, C.O.D., etc. Retail accounts, however, are entirely different and probably of considerable interest to others operating like ourselves. Retail accounts are normally due and payable the tenth of the month following pur-

chase. During the winter heating season when the demand is high, fuel oil customers are generally attentive to their bills. However, as soon as spring and summer arrive, fuel oil customers turn their thoughts to vacation plans, residential repairs, etc., and they often feel that the oil company can wait until everything else has been taken care of. I point this out only because a guide applicable to the winter period would not necessarily be a true comparison to be used against spring and summer collection records. Possibly a questionnaire could be developed that would indicate a cross section for a period of one year—on either a monthly basis, or no longer than a quarterly basis. Percentages to be reported would be on accounts of 30 days, 60 days, 90 days, and over 90 days. Another thought which has an important effect is fuel oil budget customers. If at all possible, budget debit or credit balances should be excluded in determining accounts receivable agings. For instance, in the fall season for light consumers, it is entirely possible that because of regular budget payments a good collection percentage might result. Actually, this will be false because some budget payments are being accrued against the future winter's deliveries, and not against 30-60-90 day accounts receivable.

(Part B) We think it is imperative to age accounts receivable once a quarter. From this, we are able not only to develop the ratio of delinquent accounts to total, but also to weed out accounts which are notoriously difficult to handle. The detail necessary to produce a monthly aging usually is expensive and too slow to be of value—unless the quantity of accounts involved is reasonably small. Comparison of quarters for respective years is often a valuable guide, however, in helping an organization to determine whether it is progressing in its credit and collection department or whether it is slipping. Consideration of the effectiveness of the personnel involved, form letters, and the personalized assistance from sales departments can often make a desirable improvement. Economic conditions of different years sometimes affect our judgment of collection percentages for a given quarter. At any rate, this concentrated list spotlights our more serious problems and permits personnel to write and telephone without having to handle an excessive amount of ledger sheets or files to get this information. This aging also is a good source from which to furnish credit information to the local credit bureau on a systematic basis. Proper original credit ratings can have a good effect on collection experience. But, if commercial competitors fail to report "slow or bad risks," an original credit report can be misleading. We think that many oil companies do not properly support the credit bureau, either because of selfish reasons or because they do not see the immediate result of effort in so reporting. Again, some companies are so decentralized that branches do not have authority over credit and will not furnish credit bureaus with responsible credit information. It might be possible that The Credit World could put some of these thoughts into a questionnaire to which a large number of petroleum companies might respond. I, for one, would be interested in such a comparison.

Banking and Finance

QUESTION

Is the present trend toward smaller equities in instalment financing of durable goods desirable?

ANSWERS

J. C. Gilliland, Pullman Trust & Savings Bank, Chicago, Illinois: Your question is much like asking a man if he has stopped beating his wife. The answer is, obviously, "no." Trends to smaller equities are never desirable as a general rule. Like everything else, however, there are exceptions to the rules. However, I know of no important segment of the banking fraternity that has gone to smaller equities. The rule has been to hold the line on reasonable equities in view of the fact that the market is now being sold so intensively.

Cyril J. Jedlicka, City National Bank & Trust Company, Kansas City, Missouri: Because of the fine experience in collections and liquidations that most instalment lenders have enjoyed for a large number of years, there has been a distinct trend toward smaller equities and longer terms in both direct loans and sales finance paper for some period of time. This is particularly true in the last 12 months and has been greatly accelerated by the intense competition among lenders to finance the greatly increased production of durable items. This has provoked considerable discussion about the actual need for adequate equities in this field of instalment lending. It is pointed out that the successful FHA Title I program is based almost entirely on no-down-payment financing. Appliance financing down payments are too small to establish any customer equity in the merchandise financed. In spite of this trend, the pay-

ment record of this type of paper continues to be satisfactory. Automobile financing with much lower down payments than in the past continues to show small delinquencies and repossessions. However, most experienced lenders are not willing to abandon the equity theory of sales financing and continue to believe it extremely important to establish definite equities in order to create buyer incentive to repay. All will admit that there are exceptional cases where because of the borrower's credit and stability the equity factor is not as important. Certainly in home improvement financing, where the borrower is usually a home owner and is using the proceeds to improve his home, we have usually a high type of credit risk. But instalment financing and lending is not always confined to those top or high-grade credit risks. In order to serve the credit needs of our communities adequately, credit must also be extended to the great average class of individuals many of whom do not enjoy a top credit rating. Adequate equities seem to be necessary in these cases to protect the lender properly. It might also be pointed out that this fine experience may be a result of the favorable economic climate which we have enjoyed for years. Full employment with high income has, no doubt, contributed to the willingness and ability of our customers to repay their obligations promptly. With less favorable economic conditions, equities would greatly facilitate the orderly liquidation of these receivables. Possibly in the direct lending field where the loan is made on a direct-contact basis and a greater opportunity is available for credit selectivity, more emphasis can be placed on individual credit than on equities. In the sales finance field handling credits on an indirect basis and with the unit size of the deal increasing in amount, adequate equities will probably continue to be the safety factor as far as conditions and competition will permit.

Linus K. Loudermilk, Michigan National Bank, Battle Creek, Michigan: The trend toward smaller equities in the financing of durable goods is definitely an inflationary measure and is undesirable at the present time. This statement may seem startling at the present, but let us look at the situation as it is today: Work is plentiful; the minimum wage rate is higher than ever before in the history of our nation; unemployment is at one of its lowest peacetime levels. Why, then, cannot the buyer afford and produce a substantial down payment on durable goods? To borrow against future earnings is the basis of the instalment loan business. It is a desirable arrangement as long as the borrower is actually investing along with the borrowed funds. In so many of the cases today with 10 per cent or less down payment required, the total contracts actually end up 2 to 4 per cent higher than the original purchase price of the item. This small down payment gives the buyer the feeling that he has paid the merchant his profit and is just renting the item for the next 18 to 24 months. It is extremely important that the purchaser establish a reasonable equity in the item, not only to make the contract more desirable to the financial institution, but also to create his own incentive. The financing of durable goods is ordinarily done on a conditional sales contract which does not expose the financial institution to any great loss; however, it creates a heavy burden on the retailer and cuts down his ability to present a sound financial statement. It is my feeling that the ability to pay a substantial down payment is present in many cases, but that the merchant is at fault. Merchandising of these items today appears to be a program of "who can give away the most for the least." Fatality figures in the retail business of durable goods will more than bear out this statement.

Make Your Reservation Now

RESERVATIONS for the 42nd Annual International Consumer Credit Conference to be held in St. Louis, Missouri, June 17-21, 1956, should be made *now*. In order that reservations managers receive all the information needed to reserve your room, a check list has been compiled. Please send your reservation directly to the hotel of your choice, in care of the Reservations Manager.

The following information should be included in your letter:

1. Name of hotel desired.
2. Type of room or rooms desired.
3. Names and number of people who will occupy the rooms.
4. Arrival time and arrival date.
5. Departure date.

In order that you may be assured of your room in the hotel of your choice, please make your reservation early.

Also, fill in the Conference Registration Blank on the opposite page and mail it to the National Office today, along with your registration fee.

Hotel Jefferson—Conference Headquarters

Entire hotel is air conditioned

Single room	**$ 7.50 to $ 9.50**
Double room	**$10.50 to $12.50**
Twin-bedded	**$11.50 to $16.00**
Suites (parlor & bedroom)	**$25.00 to $39.50**

Send reservations to MISS LOUELLA RYAN, reservations manager, Hotel Jefferson.

Hotel Statler

Entire hotel is air conditioned

Single room	**$ 7.00 to $12.00**
Double room	**$ 9.00 to $14.00**
Twin-bedded	**$11.50 to $16.00**
Parlor suites (Studio type, large room)	**$19.00 to $20.00**
Two bedroom suites	**$32.00 to $45.00**

Send reservations to GLENN KLUETER, reservations manager, Hotel Statler.

Hotel DeSoto

Most rooms are air conditioned

Single room	**$ 5.00 to $ 8.00**
Double room	**$ 6.50 to $12.00**
Twin-bedded	**$ 8.00 to $15.00**
Suites (parlor & bedroom)	**$15.00 to $28.00**

Send reservations to RESERVATIONS DEPARTMENT, c/o Hotel DeSoto.

• THE ADMIRAL, during the summer, makes daytime and evening cruises on the Mississippi River from the St. Louis levee. It is air conditioned, 375 feet long, 90 feet wide and five decks high (room for 4,400 passengers) and has a two-deck ballroom.

comparative COLLECTION PERCENTAGES

January 1956 vs. January 1955

N.R.C.A. DISTRICT and CITIES		DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						MEN'S CLOTHING STORES					
		1956			1955			1956			1955			1956			1955			1956			1955		
		AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
	Boston, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Portland, Me.	—	56.1	—	55.6	57.1	54.2	—	57.1	—	18.8	21.3	16.3	—	—	—	—	—	—	—	—	—	—	—	—
1	Providence, R. I.	43.1	46.4	40.0	43.3	49.0	37.5	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Springfield, Mass.	49.9	51.5	48.3	53.3	56.1	50.5	28.5	31.1	26.0	25.7	29.4	22.1	—	62.0	—	—	64.7	—	—	48.0	—	—	48.9	—
	Worcester, Mass.	46.2	48.4	44.0	45.7	48.5	43.0	—	21.2	—	—	22.1	—	52.3	55.6	49.0	51.5	56.0	47.0	—	—	—	—	—	—
2	New York, N. Y.	47.1	58.6	36.5	45.5	58.9	36.9	13.4	14.9	12.0	13.0	14.2	11.7	50.8	58.0	45.2	50.5	58.4	45.8	52.9	54.6	51.1	50.1	52.9	47.4
4	Birmingham, Ala.	—	—	—	46.6	60.2	33.1	—	—	—	—	—	—	—	—	—	41.9	46.0	36.3	—	—	—	45.1	49.5	39.0
	New Orleans, La.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Cincinnati, Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Cleveland, Ohio	49.1	60.5	44.2	49.5	61.1	44.0	16.5	21.7	10.8	18.6	25.2	13.1	48.6	56.5	38.7	51.9	54.3	49.4	68.4	88.4	47.7	65.9	84.1	43.0
	Louisville, Ky.	41.6	52.9	30.3	42.8	48.8	36.8	16.2	17.2	15.7	16.9	17.7	16.0	45.2	49.6	40.8	48.9	51.5	46.3	48.1	59.7	41.3	49.2	58.7	42.7
5	Milwaukee, Wis.	54.2	59.5	44.3	52.0	59.3	48.4	15.5	15.7	14.8	15.6	16.3	15.0	50.2	59.1	41.4	53.0	61.1	45.0	57.2	71.4	49.0	51.0	66.7	50.0
	Toledo, Ohio	44.0	49.1	24.8	47.0	51.3	29.4	18.2	18.3	12.2	17.3	21.5	12.9	60.7	68.7	52.7	58.6	59.7	57.6	—	—	—	—	—	—
	Youngstown, Ohio•	—	36.5	—	—	35.7	—	—	13.2	—	—	12.8	—	—	—	—	—	—	—	—	—	—	—	—	—
	Ottawa, Ont.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	Minneapolis, Minn.	55.3°	62.3	48.1	55.9°	64.0	46.0°	15.2	16.9	13.6	15.8	16.0	15.6	—	59.0°	—	49.7°	62.3°	37.1°	42.7°	47.2°	38.2°	45.4°	47.0°	42.5°
7	Kansas City, Mo.	—	—	—	48.9	58.4	42.4	—	—	—	14.2	20.3	5.9	—	—	—	53.1	67.0	49.7	—	—	—	—	—	—
	St. Louis, Mo.	51.0	55.6	50.6	55.9	57.2	53.0	20.4	21.3	16.4	20.8	21.1	17.7	46.2	58.3	34.2	48.7	59.0	38.5	42.1	50.8	33.5	47.3	50.1	44.6
	Dallas, Texas	46.9	49.1	39.7	40.1	52.2	38.2	15.5	16.1	9.9	15.8	15.9	10.2	—	—	—	—	—	—	—	—	—	—	—	—
8	Ft. Worth, Texas	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Houston, Texas	—	—	—	—	46.8	—	—	—	—	—	16.0	—	—	—	—	50.6	52.2	49.0	—	—	—	53.5	58.0	49.1
9	Denver, Colo.	42.0	52.0	32.1	43.4	49.7	34.9	18.7	28.6	15.0	16.9	27.8	15.4	45.6	49.8	41.5	43.2	43.5	43.0	45.6	49.8	41.5	43.2	43.5	43.0
	Salt Lake City, Utah	43.3	50.1	40.3	51.7	54.2	50.0	17.3	19.6	15.2	20.2	28.8	16.5	—	—	—	—	—	—	45.0	53.9	36.2	50.5	54.9	46.0
10	Spokane, Wash.	—	—	—	—	49.0	—	—	—	—	—	13.2	—	—	—	—	—	57.5	—	—	52.9	—	—	57.5	—
	Los Angeles, Calif.	51.2	58.2	37.9	56.9	61.5	42.8	—	—	—	—	—	—	—	—	—	—	—	—	48.4	75.9	40.0	46.5	80.7	42.8
	Oakland, Calif.	—	—	—	50.4	52.8	47.2	—	—	—	16.2	19.1	13.8	—	—	—	—	51.7	—	—	—	—	—	—	—
11	Santa Barbara, Calif.	—	—	—	63.0	66.6	54.2	—	—	—	—	—	—	—	—	—	57.1	59.7	53.1	—	—	—	62.6	65.0	59.6
	San Francisco, Calif.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	San Jose, Calif.	53.3	59.0	49.0	54.4	58.0	52.9	—	—	—	—	—	—	—	53.3	—	—	58.0	—	—	—	—	—	—	—
	Baltimore, Md.	47.3	51.3	42.9	45.6	50.5	42.0	15.7	21.6	11.0	15.9	22.2	12.7	46.5	55.5	41.2	44.3	54.3	37.4	45.3	55.6	35.0	45.9	52.7	39.1
12	Philadelphia, Pa.	36.1	40.8	27.1	43.1	45.4	40.5	8.7	10.4	7.1	9.8	11.2	8.7	43.9	48.7	40.0	44.3	50.7	34.2	—	—	—	—	—	—
	Washington, D. C.	—	—	—	41.6	50.7	33.9	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

• Figures for December. ° Includes 30—60—90-day accounts.

Consumer Credit for December

CONSUMER INSTALMENT credit outstanding at the end of December amounted to an estimated $27,895 million, $648 million above the preceding month and $5,428 million above a year earlier. The December rise compares with increases of $453 million and $280 million in the same month of 1954 and 1953, respectively. Credit outstanding on consumer goods other than automobiles increased $378 million, and was the dominant element in the rise of total instalment credit. Automobile paper rose $140 million, personal loans $123 million, and repair and modernization loans $7 million. Instalment credit extended during December, estimated at $3,508 million, was $405 million above November. The rise reflected primarily increases, largely seasonal in nature, for consumer goods other than automobiles and for personal loans. The volume of repayments increased slightly to an estimated $2,860 million. Total short- and intermediate-term consumer credit outstanding amounted to an estimated $36,225 million at the end of December, $1,166 million above a month ago and $6,100 million above a year ago.—Federal Reserve Board.

Department Store Credit for December

INSTALMENT ACCOUNTS outstanding at department stores increased further during December. The monthly rise of 12 per cent, somewhat larger than usual, brought balances at the end of 1955 to a level 20 per cent above a year earlier. Collections in December amounted to an estimated 15 per cent of first-of-month balances, the same as November and 1 point above a year ago. Charge accounts increased 33 per cent during December, a rise that was largely seasonal in nature. Compared with a year ago, balances on December 31 were up 9 per cent. The charge-account collection ratio, estimated at 46 per cent, was 1 point below a month ago and the same as a year earlier. Sales of all types increased sharply from November to December—cash sales by 57 per cent, charge-account sales by 45 per cent, and instalment by 37 per cent. All types were also above December a year ago—cash and charge-account sales by 4 per cent and instalment sales by 15 per cent.—Federal Reserve Board.

Items of Interest From the NATION'S CAPITAL

JOHN F. CLAGETT, Counsel, National Retail Credit Association, Washington, D.C.

"Windfall" Profits In Reverse.—If upheld on appeal, federal district court decisions at Alexandria, Va., in two parallel cases will open the way for Federal Housing Administration to proceed with plans to take over housing projects and to sue to recover "windfall" profits in numerous situations throughout the country. The term "windfall" profits has been used to describe the sums by which FHA insured loans have exceeded building costs, where such money has been paid over to the promoters (common stockholders) of the projects as dividends. The suits in question were started by the project owners to restrain the FHA (as first preferred stockholder) from assuming control of the corporations and then to sue for recovery of the funds for the benefit of the corporations—the Shirley Duke, Alexandria, Va., and Beverly Manor, Columbus, Ohio. Judge Bryan ruled squarely, "the insured monies were not available for dividends." Dismissal of the suits opens the way for the above actions by FHA. Recovery of hundreds of millions, which will add to the security of the loans insured by FHA, to the financial stability of the project corporations, and possibly to lower rentals, is in prospect. The Shirley Duke "windfall" on a $13,746,000 loan amounted to $1,878,937. Initial investment by the promoters and common stockholders in the project was $6,000; profit on the transaction was $313 for each dollar invested. This result is a tribute to Senator Byrd (D. Va.), more than to any other person for his untiring efforts to uncover "windfall" profits and other conditions inimical to the American Tax-payer. (See CREDIT WORLD, May, 1954, p. 22; and December, 1955, p. 29).

The "Economic Report of the President" and Consumer Credit Regulation.—This year's report, transmitted to the Congress by the President on January 24, 1956, is a very readable, as well as important document. Its text is 163 pages, illustrated with many charts of great informational value, plus an appendix of 75 pages of supporting data. It is available at the Government Printing Office, Washington 25, D. C., at 70 cents per copy. The Economic Report is required by Act of Congress of Feb. 20, 1946, 15 U. S. C. A. 1021, considered a milestone in economic legislation. The "declaration of policy" provision of the statute states that it is the policy of Congress "to promote maximum employment, production, and purchasing power." It directs the President to transmit the Economic Report to the Congress at the beginning of each session. It provides for a three-man "Council of Economic Advisors," a staff, and adequate finances, and charges the Council with the duty, among others, "to gather timely and authoritative information concerning economic developments and economic trends." The Act also provides for the creation of a "Joint Committee on the Economic Report" in the Congress to be composed of seven members of the Senate and seven members of the House, and this committee is directed—"not later than March 1" of each year—to file a report "containing its findings and recommendations with respect to each of the main recommendations made by the President in the Economic Report." Of primary importance in the consumer credit field are recommendations concerning consumer credit made in the President's Economic Report; and, of course, the subsequent findings and recommendations, as indicated above, to be made by the Joint Committee.

The Economic Report of the President did make a principal recommendation in the field of consumer credit —in these words: "(b) Study the problem of restoring the Government's power to regulate the terms of consumer instalment credit." In its discussion of the subject the Report noted: "its availability as a stand-by measure would increase the Government's ability to fulfill its responsibilities" and "this is a good time for the Congress and the Executive Branch to study the problem." The Joint Committee is now holding hearings. On Feb. 7 Chairman Martin of the Federal Reserve, in that part of his testimony touching on the field of consumer credit, said: "The Board of Governors agrees that a special study of consumer instalment credit in relation to economic stability would be timely." His testimony indicated that he had in mind a comprehensive study to be undertaken "by or under the direction of Congress with the help of the interested Government agencies."

Anti-Merger Program.—When the Hilton Hotels Corporation case was settled by a consent decree under the amended Section 7 of the Clayton Act (usually referred to as anti-merger statute), the Justice Department announced that its goal is "to arrest in its incipiency the growth of concentration in our business economy through the device of mergers." The action disposed in quick time of the suit filed April 27, 1955, which charged that the merger of the Hilton chain, largest in the world, with the former Statler group had a tendency to create monopoly generally in the hotel business, and particularly to control the convention business in four major cities, namely, New York, Washington, D. C., St. Louis, and Los Angeles. Consent judgment provided, among other relief, for the disposition of one hotel each in the first three cities named; defendant had already sold the Town House in Los Angeles. ★★★

LOCAL ASSOCIATION *Activities*

Halifax-Dartmouth, Nova Scotia

At the annual meeting of the Credit Granters' Association of Halifax-Dartmouth, Nova Scotia, Canada, the following officers were elected: President, R. O. Oxner, T. Eaton Company, Limited; Vice President, Michael McPhee, Chappell and Son, Limited; and Secretary-Treasurer, P. J. Holland, Halifax-Dartmouth Credit Exchange, Limited. Directors: Charles McCurdy, Robert Simpsons, Eastern, Limited; Russ Lester, Simpsons-Sears, Limited; Robert Chapman, G. B. Isnor Company, Limited; Donald Malcolm, G. B. Murphy, Limited; and V. Whyatt, Glube's, Limited.

Canton, Ohio

The newly elected officers and directors of the Credit Executives Club, Canton, Ohio, are: President, Carl J. DiRienzi, R & J Furniture Co.; Vice President, Ila Frase, Polsky's; Secretary, Mrs. Mary Jeann Bates, Morris Lincoln-Mercury Co.; and Treasurer, William Altman, Altman Jewelers. Directors: O. E. Johnson, Credit Bureau of Canton; Mrs. Kay Kenton, Stern & Mann Co.; Paul Feicht, Thurin Furniture Co.; Lee Maag, City Loan & Savings Co.; Mrs. Margaret Lindamood, W. T. Grant Co.; Edward Curtis, Public Loan Corp., and Gena Keller, Canton National Bank.

Johnson City, Tennessee

At the annual meeting of the Associated Credit Managers of Johnson City, Johnson City, Tennessee, the following officers and directors were elected: President, Helen Morley, Paty Lumber Co.; First Vice President, J. H. Varnell, King's; Second Vice President, M. P. Boyer, The People's Bank; Third Vice President, Morrell Lacy, Hannah's; and Secretary-Treasurer, Frank Edmonds, Credit Bureau of Johnson City. Directors: R. N. Dosser, Dosser's; John Masengill, Masengill's; W. F. Shurtz, Pet Dairy Products Co.; H. H. Gregg, Gregg Electric Co.; F. B. Hannah, Hannah's; L. O. Hale, Tennessee Motor Co.; W. H. Hiley, Citizens Loan Corp.; and W. F. Fine, Sterchi Bros., Stores.

Baltimore, Maryland

The following officers and directors of the Retail Credit Association of Baltimore, Baltimore, Maryland, were recently elected: President, Theodore E. Marr, Stewart & Co.; Vice President, Wilmur A. Debus, Baltimore Gas & Electric Co.; Treasurer, H. Lloyd Ballard, Isaac Hamburger & Sons; and Secretary, Charles F. Roycroft, Credit Bureau of Baltimore. Directors: Harold E. Benson, Howard Street Jewelers; Herman A. Dorsch, N. Hess' Sons; Bernard W. Huffman, C. Hoffberger Co.; Eugene J. Sapp, Wetzler's; Milton K. Baker, Gaxton's; and Robert B. Thomas, Hutzler Bros., Co.

New York, New York

The Associated Retail Credit Men of New York, New York, New York, has nominated the following as officers and directors for 1956-1957: President, Joseph P. Searing, W. & J. Sloane; Vice President, John T. McCaffery, A. Sulka & Co. Directors: Fred W. Dornhoefer, Franklin Simon & Co.; Raymond Doyle, Peck & Peck; Arthur J. Kramer, Borden's; James M. Malloy, Abraham & Straus; Reginald L. Smith, Sunrise Coal Co.; Sigmund Trotta, Brooks Brothers; and Traver Brisco, B. Altman & Co.

Salt Lake City, Utah

The annual meeting of the Credit Bureau of Salt Lake City, Salt Lake City, Utah, was held at the Hotel Utah, February 15, 1956. The annual reports indicated a present membership of 731 business and professional firms and the organization has had a steady growth during the past year. Orson M. Richins, secretary of Prudential Federal Savings & Loan Association, was elected president for the year 1956; James M. Rieben, First Security Bank of Utah, was elected vice president; and Lorin Park of Anderson Lumber Company was elected treasurer. William S. Asper was retained as executive vice president and secretary. Directors include: Hugh Bunnell, Morrison-Merrill Company; Ralph Trane, Daynes Music Company; Arthur Ridd, Continental Bank & Trust Company; Kenneth Matheson, Tri-State Lumber Company; Clary Crooks, Newspaper Agency Corporation; and Winston Jones, Strevell-Patterson Finance Company.

Washington, D. C.

At the annual meeting of The Credit Bureau, Washington, D. C., the following officers and directors were elected: President, J. Frank Brown, S. Kann Sons Company; Vice President, Charles F. Naumann, Lansburgh's; and Secretary-Treasurer, John K. Althaus, The Credit Bureau. Directors: E. M. Arthur, Woodward & Lothrop; Benjamin Blanken, Chas. Schwartz & Son; Abe Coonin, Wm. Hahn & Company; Carl Knapp, Frank R. Jelleff, Inc.; Roscoe Reichard, The Hecht Company; Herbert Rich, B. Rich's Sons; J. P. Stedehouder, Central Charge Service; Ben Stein, Benson's Jewelry Company; and Edward A. Henkel, Raleigh Haberdasher.

Wilmington, North Carolina

The newly installed officers of the Credit Bureau of New Hanover County, Wilmington, North Carolina, are: President, W. V. Best, MacMillan & Cameron; Vice President, Roger Greenleaf, Rhodes Furniture Company; Secretary, George A. Stanley, Credit Bureau of Hanover County; and Treasurer, Mildred Jones, Bank of Wilmington.

"Speaking Club"

(Beginning on page 14.)

much credit is worse than too little. Our function, as credit men, is to find the right level by judicious application of credit principles in the light of existing and prospective conditions.

Credit management deserves professional status. It requires awareness not only of conditions prevailing in one's own small sphere, but of those existing nationally and internationally. Occurrences in the Maritimes or in Asia can affect your business and mine. Such far-reaching information may be obtained from many sources; your banker (either the credit officer, if you deal with a large branch, or the manager if it is smaller) is a source of much valuable information, and part of his job is to give it to you. Not so long ago banks were austere institutions which did not invite spontaneous visits, but times have changed considerably. Your banker expects and wants to act as a business adviser to you whenever you request such help; because of the nature of his organization, he is in a position to have facts not directly available to you.

Being well informed is indeed an integral part of our function as credit managers, particularly in view of the huge credit piled up by Canadians today. In 1953-1954, personal savings formed nine-tenths of personal disposable income, but in 1955 this has fallen to about five-sixths. We can help keep the business climate sunny by applying credit principles judiciously, by giving guidance to our clients. Eternal vigilance in the credit world is the price of safety, and it is our responsibility as credit managers to contribute to the safety of our national economy, as well as to the prosperity of our respective business organizations. ***

Annual Credit Management Program at Columbia

The fourth annual Consumer Credit Management Program will be held June 3-8, 1956, at Arden House on Columbia University's Harriman Campus, according to an announcement by Dr. Courtney C. Brown, dean of the Graduate School of Business. Fifty-six business executives will have an opportunity to meet with experts in consumer credit management to consider the problems and outlook for consumer credit field in 1956-1957. The five-day Program was inaugurated by the Graduate School of Business at Columbia University in cooperation with a group of commercial banks and national and New York State business and finance associations. The National Retail Credit Association is one of the cooperating associations. The program will be directed by Dr. John M. Chapman of the Graduate School of Business, and will consist of 18 sessions devoted to intensive coverage of areas directly affecting consumer credit policies, problems, and practices from the point of view of top management. The faculty, discussion leaders, and speakers will be drawn from business, consumer credit institutions, Columbia, and other universities. Clarence E. Wolfinger, credit manager, Lit Brothers, Philadelphia, Pennsylvania, and a past president of the National Retail Credit Association, is a member of the executive committee which organized the program.

Spokane, Washington

At the 45th annual meeting of the Spokane Retail Credit Association, Spokane, Washington, the following officers and directors were elected: President, Gale Beard, Barton Auto Company; Vice President, William E. Phillips, Larson and Associates; Immediate Past President, Lester M. Peuck, Brooks-Emrys; Treasurer, Frank Newman, The Crescent; Secretary, N. M. MacLeod, The Credit Bureau; and Assistant Secretary, M. T. Warrick, The Credit Bureau. Directors: Don Corskie, Exchange Lumber Company; Thomas Balfe, Carter Oil Company; Warren Francis, Carter Oil Company; Glenn Humphreys, Spokane & Eastern Trust Company; W. L. Fatur, E. S. Burgan & Son; Donna Beasley, Harms-Rofinot Chevrolet; Carl E. Johnson, Spokane Valley Bank; and C. R. McCabe, True's Oil Company.

Important Initial Announcement

During the week beginning July 23, 1956, a *consumer credit management institute* will be held at the University of Oklahoma, Norman, Oklahoma. This institute is co-sponsored by the National Retail Credit Association and the University of Oklahoma. Included in the subjects taught will be "Public Relations," "Business Law," "Letter Writing," and "Retail Credit Management Policies and Procedures." Workshop and practice sessions will also be offered. All engaged in any phase of consumer credit and collection work are eligible to attend. This is a unique and valuable educational opportunity. For further details write to the National office.

National Retail Credit Week

NATIONAL *Retail Credit Week* is intended to stimulate profitable credit sales as well as to instill in the minds of credit customers a proper attitude toward payment of all obligations. Its purpose is to encourage people to use retail credit facilities as a means of enriching life. The necessity of prompt payment of all obligations is also emphasized in order that retail credit facilities might always be readily available. This results in credit sales promotion of a high order which has a beneficial effect on the business activity of the entire community, while the theme of "Pay Promptly" has the satisfactory effect of stabilizing and improving collections.

Retail credit executives have a twofold responsibility. One is to encourage the maximum amount of sound credit sales. The other is to educate credit customers to the importance of meeting their obligations as agreed. This two-pronged approach is best accomplished by united effort.

The 1956 observance of *National Retail Credit Week* will begin on Sunday, April 22, and continue through Saturday, April 28. By now, most communities have their plans for participation well under way. We are grateful to the local chairmen of *National Retail Credit Week* committees whose arrangements are ready and for their interest. Communities who have not yet perfected their plans are urged to do so immediately.

Portfolios of helpful material have been prepared by the National Office for the use of local committees. These portfolios contain suggestions for various activities during *National Retail Credit Week* and include actual outlines for talks before civic groups and student assemblies. A brochure of our most recent "Pay Promptly" newspaper advertising is also included. If the chairman of the committee in your community has not yet secured his copy of this invaluable free portfolio he should write to the National Office for one today.

National Retail Credit Week can have profound significance. The participation of every community will pay dividends. *Your cooperation is earnestly requested to make this event an outstanding success.*

L. S. Crowder

General Manager-Treasurer
NATIONAL RETAIL CREDIT ASSOCIATION

STANDARD APPLICATION FORM

(Revised)

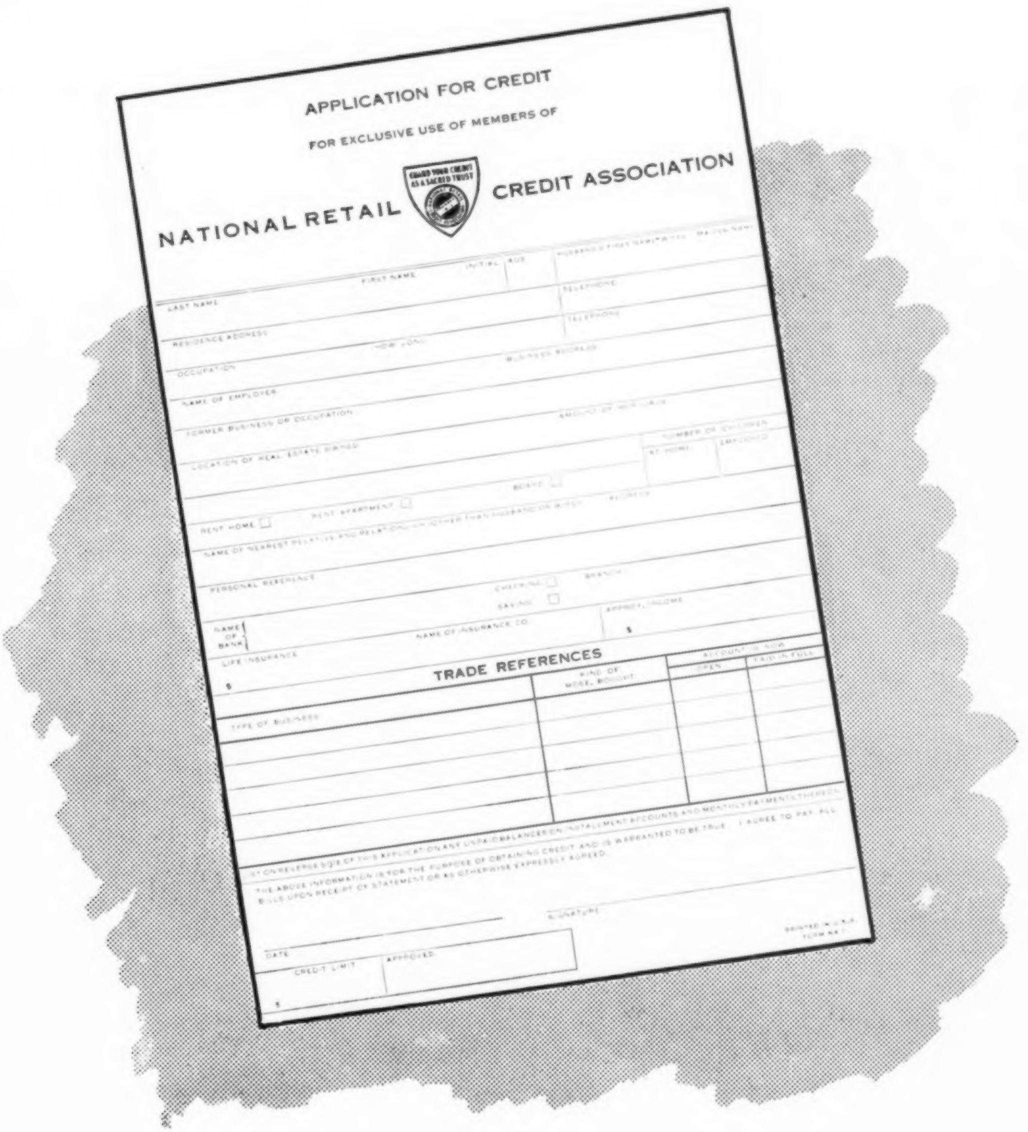
THE sale of millions of the old application blank indicates its popularity. The revised form is the result of changes suggested by members. The national emblem adds to its effectiveness.

The actual size of the form (reproduced below) is six inches by nine inches. Printed in one color. Blocked in pads of 100. Prices: 100, $1.25; 500, $5.00; and 1,000, $8.50. *Postage is extra.*

NATIONAL RETAIL CREDIT ASSOCIATION

375 Jackson Ave. St. Louis 5, Missouri

Complete in every detail . . . spaces for all needed information . . .


APPLICATION FOR CREDIT

FOR EXCLUSIVE USE OF MEMBERS OF

NATIONAL RETAIL CREDIT ASSOCIATION

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